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BUSINESS WEEK

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Underwood & Underwood

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WHAT EXPORTS MEAN TO BUSINESS—Dramatized May 22-28
by National Foreign Trade Week. Charted here the slice that
experts took from first-quarter output of five key lines.

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
ANN ARBOR MICH

Machines Make Jobs AND BETTER JOBS

● The more highly mechanized a plant is, the more it contributes to employment, the lower its unit costs, and the higher the annual wage is apt to be.

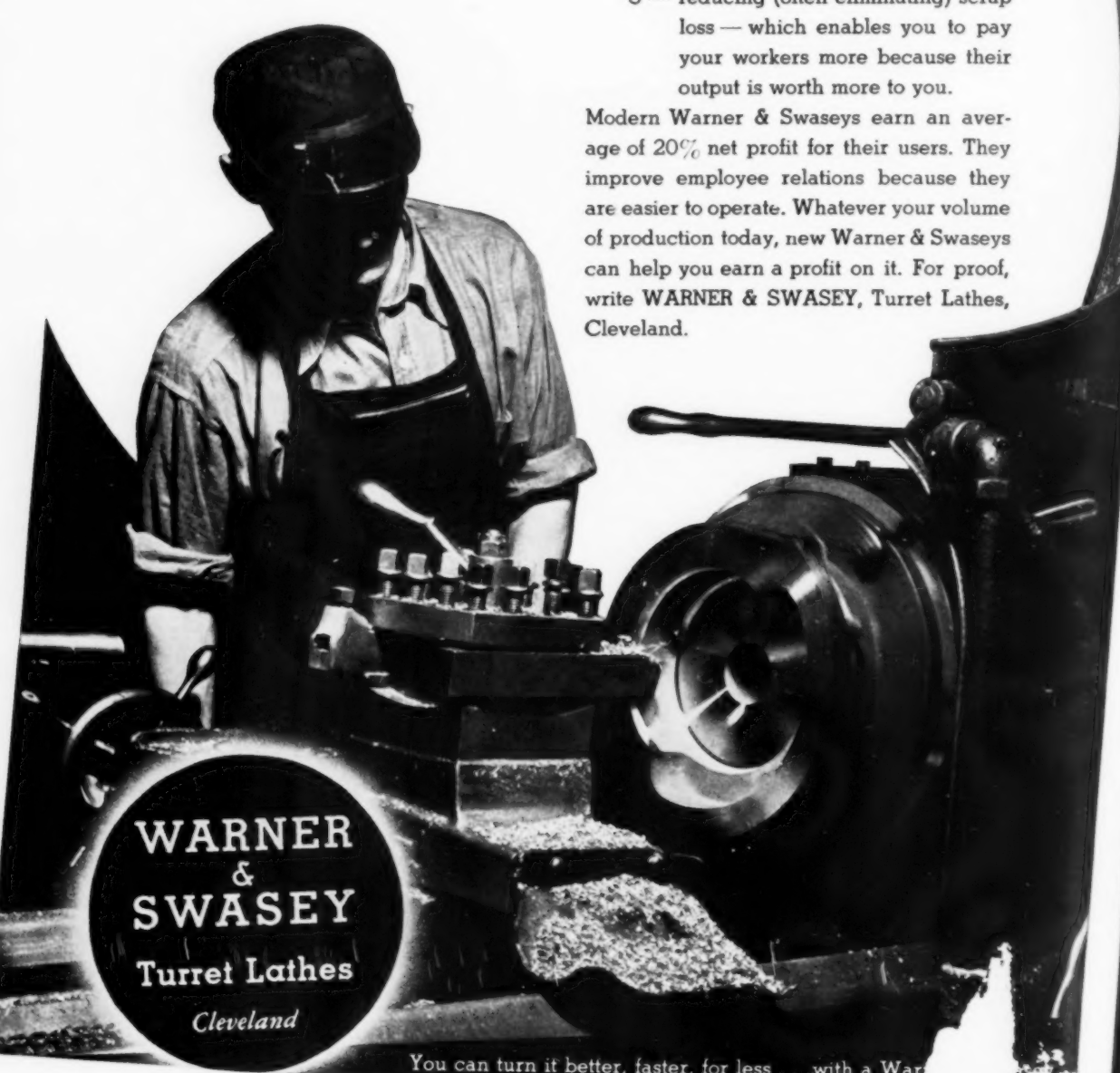
Modern Warner & Swasey Turret Lathes can help you improve employment, orders, profits, wages, by —

1 — cutting cost per piece as much as 50% — which puts you in better competitive position to get and hold business.

2 — improving precision and quality of your product — which again helps you get orders.

3 — reducing (often eliminating) scrap loss — which enables you to pay your workers more because their output is worth more to you.

Modern Warner & Swaseys earn an average of 20% net profit for their users. They improve employee relations because they are easier to operate. Whatever your volume of production today, new Warner & Swaseys can help you earn a profit on it. For proof, write WARNER & SWASEY, Turret Lathes, Cleveland.



**WARNER
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Turret Lathes

Cleveland

You can turn it better, faster, for less . . . with a War

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"FARM RELIEF" . . . WITH RUBBER

A typical example of Goodrich product development

USUALLY assigned to the youngsters on a farm (and detested by them) has been the job of milking a long line of tail-switching cows. Now rubber and steel do it easier and better.

Milking machines were invented long ago, but to be commercially practical there had to be a sanitary, flexible tube to attach to the cows' udders. Working with the inventors of the machine, Goodrich engineers developed a highly specialized rubber for the purpose—easily cleaned,

is not affected by animal fat, and is able to collapse 50 times a minute, for hundreds of hours, without losing its resiliency. With this Goodrich rubber, the modern milking machine does a more thorough job than the human hand can do, does it quicker, and saves all the old back-breaking labor.

Development work, such as this, is going on all the time at Goodrich. It is applied to *all* kinds of rubber goods—belting, hose, packing, rolls, tank linings, many other products, some of

them new, undreamed of a few years ago. Goodrich distributors can tell you about the latest improvements in Goodrich products—improvements that can begin today to save money in your plant. For the name of a near-by distributor, write The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

ALL *products* *problems* IN RUBBER


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**WARNER
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Turret Lathes
Cleveland

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Goodrich

ALL *products* *problems* IN RUBBER



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POSTURE SEATING**

● **SHE KNOWS** that correct posture reduces fatigue, permits normal functioning of vital organs, improves health and increases efficiency. She also knows that **Harter Posture Chairs** are designed to make correct posture easy and natural.

The very latest, the big news, however, is that the new *Harter Posture Chair* is absolutely self-fitting. This is doubtless the most outstanding development in the posture chair history—it banishes all need of service and the service man. In this wonderful new chair correct posture and practical comfort are joined with instant and positive self-adjustment.

There is a *Harter Posture Chair* for every type of seated work. Harter also produces smartly styled steel chairs for modern offices.

FREE! Write for: "Fired"—tells about the passing of the service man and gives details on Self-Adjustment Posture Seating.

The HARTER Corporation
DESK 258
STURGIS, MICHIGAN

STURGIS, MICHIGAN
MANUFACTURER OF THE WORLD'S
FINEST *Steel* SEATING EQUIPMENT

HARTER
Self Fitting
POSTURE CHAIRS

NEW BUSINESS

YESTERDAY, May 20, was Research Day in New England. Six simultaneous meetings in six widely separated centers—Augusta, Me.; Durham, N. H.; Boston, Mass.; Worcester, Mass.; Providence, R. I.; and Hartford, Conn.—proved to all comers by means of addresses and exhibits of products that “Research is of the utmost importance to the maintenance and improvement of New England’s position in the manufacture of quality goods. . . .” The whole “proven prescription for new business” was sponsored by New England Council, the engineering societies of New England, several New England colleges, and a dozen cooperating groups.

DEALERS and salesmen of Westinghouse Electric & Mfg. Co. are using watches as door openers, souvenirs, and displays to promote sales of the 1938 refrigerator line. The sales slogan, "Ten hours out of every twelve it uses no current at all," is shown graphically on the watches. The ten-hour currentless period is blocked out in red; the two remaining hours are white.

DURING the wintry months of January and February, the old yet modern Paramount moving picture studios, 35-11 35th Ave., Long Island City, N. Y., were taken over quietly and bodily by Audio Productions, Inc., which is a wholly owned subsidiary of Electrical Research Products, Inc., which is a wholly owned subsidiary of Western Electric Co., which is a wholly owned subsidiary of American Tel. & Tel. Latest step by Audio is the permanent establishment at Long Island City of a three-color Technicolor camera unit, one of the few which have been permitted to stray from Hollywood. Current Audio selling sentence is: "What are *your* plans for the World's Fair?"

ON June 7 and 8, there will be held at the Waldorf-Astoria, New York, a "first conference of interior designers ever held to discuss air conditioning, the types of equipment and applications, and the relationship of air conditioning to interior design of residences and apartment, office, business, and commercial structures." The conference is sponsored by Harry V. Anderson, editor of the professional publication, *Interior Design & Decoration*, 30 Rockefeller Plaza, New York.

MEANWHILE, the Air Conditioning Manufacturers' Association reports that more than 700 department stores now have air conditioning as an aid to maintaining and increasing sales regardless of outside weather and busi-

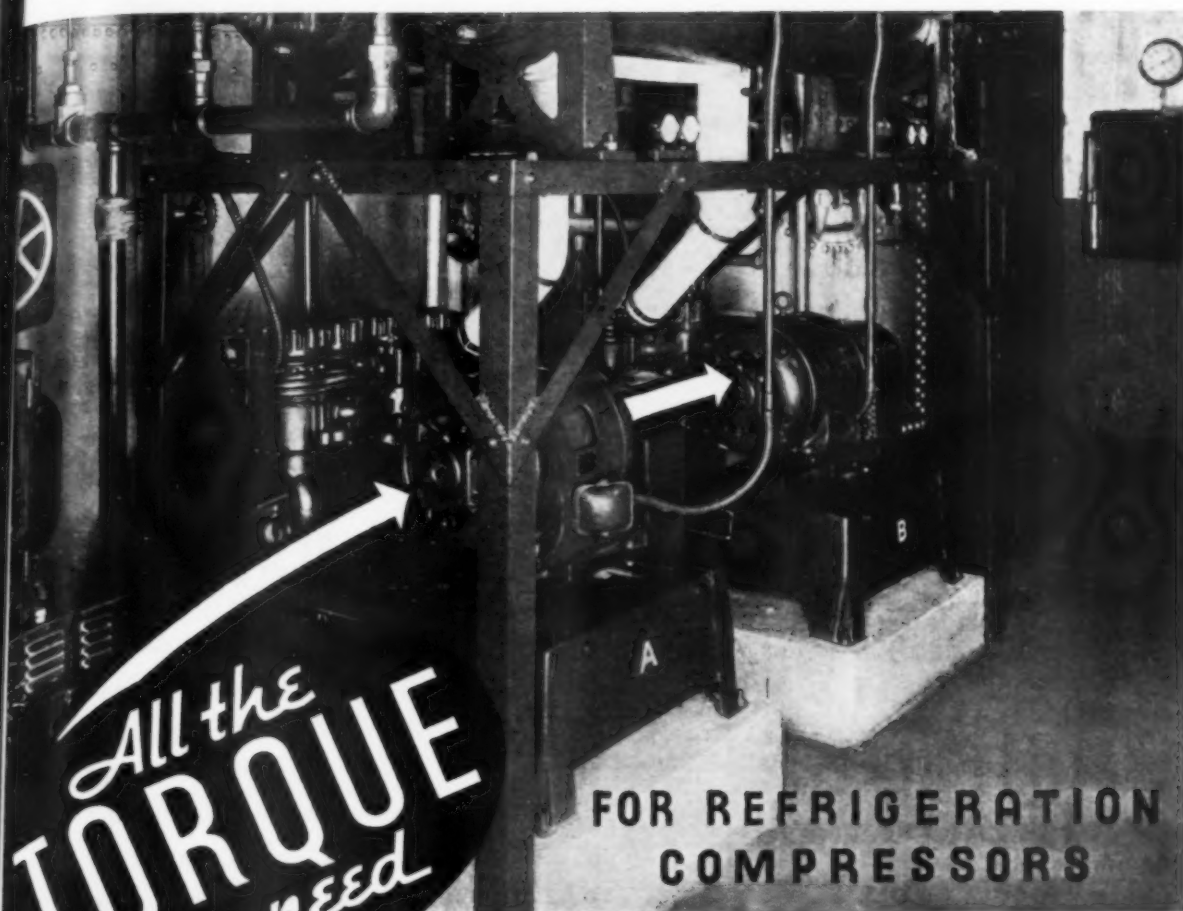
ness conditions. A current job is at Kline's big Kansas City store, where a central plant is being installed for year-around air conditioning of all selling space, offices, lunchrooms, employee facilities, and part of the store's storage space.

STILL speaking of air conditioning, Trane Co., LaCrosse, Wis., is going into a second edition of its comprehensive 333-page "Trane Air Conditioning Manual," price \$5, almost before the ink is dry on the first. Reported to have cost \$40,000 before publication, the book was projected by Reuben Trane, president, as a substantial contribution to the progress of the industry as a whole, and to the not-too-biased education of thousands of engineers. The company also will sell, even to competitors, Psychrometric Charts in pads of 50, 50¢ each; Cooling Load Estimating Sheets in pads of 25, 75¢ each; Air Conditioning Rulers, for use only with the Psychrometric Charts, 50¢ each, cash with order.

FOLLOWING Germany's annexation of Austria, owners of the "registered globes" of Rand McNally & Co., 536 S. Clark St., Chicago, are receiving a decalcomania covering the map change which may be applied in half a moment. Ten minutes after application, the correction cannot be detected. The corrective service, whose underlying concept is contrary to the philosophy of quick obsolescence as a builder of sales, has clicked ever since its introduction last year. It comes free to globe purchasers for one year—\$1 per year thereafter.

To prove his contention that the American salesman is "a figure of prime importance in our economic scheme," T. W. Mason, president, Nash-Kelvinator Corp., Detroit, selected Lincoln, Neb., as a "proving ground" and there has launched a movement called the National Salesmen's Crusade. The slogan is: "Sales mean jobs." The immediate intent was to improve salesmen's morale by proving that sound, persistent selling methods are as effective today as they always have been. Nash-Kelvinator will invite other businesses, competitive or not, to join the crusade.

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COMPRESSORS**

Starting Accelerating Running

Why go to the next larger size motor, just because your Refrigeration Compressor is hard to start?

Why buy a 7½ H. P. motor to start a 5 H. P. job?

Century Type SCH Squirrel Cage Induction Motors provide high *starting and accelerating torques* in proportion to *full-load torques*. This saves the cost of over-motoring and does a better job.

We can't prove this with words — so we urge you to talk to the man who is using Century Type SCH Motors for Refrigeration Compressors.

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MOTORS



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You know how important late, accurate information is to your business. Farm operation requires it even more, because the operator—the farm family—is at once capitalist, laborer, financier, salesman, purchasing agent, and citizen.

Four-day writer-to-reader service was pioneered by Farm Journal to meet the needs of today's farm family. Farm Journal gathers and interprets all the news that affects farming, and *delivers* it in time to be really useful—one full month earlier than is possible without 4-day writer-to-reader service.

FARM JOURNAL

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WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Roosevelt and Farley resourcefulness should not be discounted in figuring what will happen in Pennsylvania in November. On this week's returns, it would seem fairly sure that the Dutch will recapture Holland, that Pennsylvania will return to the Republican fold. But there's always a chance that the Administration will find an opportune rabbit and a handy hat to draw it from.

Lewis Loses, Green Wins

Meanwhile, pending the November re-count, most of the myriad relations between government and business will be importantly affected by the Keystone State's primary balloting of last Tuesday.

Chiefly significant, of course, is the beating taken by John L. Lewis and the C.I.O. Well in the foreground, though not as significant, is the victory of William Green and the A.F.L.

Green did not endorse the winners, but this merely meant he did not approve the economic ideas of Arthur H. James and certain other nominees. Significantly, Green's veto spelled defeat in every instance.

Green Supporters Heartened

Effects in Washington are important. Congressmen's fear of Lewis and C.I.O. has diminished. Respect for Green and the A.F.L. has increased.

Green always did have more friends on Capitol Hill than Lewis. Now his friends will not be afraid to vote their friendship on such important matters as wage-hour and other bills.

Bolstering Attack on NLRB

Even the National Labor Relations Board may be affected by the Lewis defeat.

Bill Green refuses to permit geographical differentials in the wage-hour bill because such differentials would require another administrative board like NLRB, which he considers entirely too partial to C.I.O.

The growing tide of business criticism of NLRB as a barrier to recovery will be more effective on Capitol Hill, if not in the White House, now that Lewis's political feet have clearly been shown to contain quite a bit of clay.

Slowing Up the Finish

The ruckus created by the President's intention to revive the government reorganization bill and the debate over

the still uncertain fate of the wage-hour bill muss up prospects for adjournment soon.

Possibly, by the time the recovery and wage-hour measures are disposed of Administration leaders on the Hill will be able to talk Roosevelt out of injecting again the reorganization issue.

Washington observers are not laying any bets, however, on the time clocked by Congress in the last lap. It's a muddy track.

Only Three Bills "Sure"

Enactment of other bills will largely depend on the time element. Only a few now seem sure of passage: Authorization of an inquiry looking towards eventual revision of the anti-trust laws; creation of a Civil Aeronautics Authority; and extension of the Federal Deposit Insurance Corp.'s authority, expiring July 1, to make loans or purchase assets to facilitate mergers of insured banks.

Expansion of RFC loans to railroads is presently in doubt because of the roads' determination to cut wages, but it's expected that they will be forced to abandon that course—at least till after elections.

—And Few More "Likely"

Bills regarded as likely to make the grade before adjournment include food and drug, stream pollution control, registration of over-the-counter security dealers, revision of Bankruptcy Act, trust indenture bill, revision of administrative sections of the tariff laws, Merchant Marine Act amendments, and possibly Motor Carrier Act amendments.

Many Others Dropped

Numerous bills that will probably fall short of enactment include prohibition of block-booking of films, establishment of a government radio station to combat European propaganda in Latin America, repeal of the long-and-short-haul clause to give railroads greater freedom in competitive rate-making, 7-TVA bill for regional planning, Wagner Act amendments intended either to tighten up or liberalize the labor relations law, Social Security Act amendments, compulsory licensing of patents, revision of the trademark law, educational orders for munitions, bank holding company regulation, reciprocal taxation by federal and state governments of bond interest and public employees' salaries, federal licensing of corporations, federal taxation of chain stores, prevention of war-time profiteering, and

creation of a naval reserve out of California's submerged oil lands.

All bills that fail of enactment with expiration of this Congress will die, but all of those listed will be reintroduced in the next Congress.

Kennedy's Plan Knifed

Joe Kennedy, exulting in his long pants at court receptions at St. James's may not care any more, but his plans for an American merchant marine have been set back by Madame Perkins and labor leaders in the new maritime bill.

Kennedy wanted to forbid strikes until a mediation board could intervene and decide the issue. The Labor Secretary thought that interfered with union "rights." The Senate Commerce Committee asked the President about it. When he declined to commit himself, the committee followed Kennedy's ideas, but later had a change of heart when labor pressure was turned on.

The Senate sustained Sec. Perkins' view and the conference report will do likewise.

No Government Broadcasting

Fatal opposition is rising to proposals for establishing a government-owned radio station to combat European propaganda in South America.

The utility of such a project is discounted and it is attacked by the press and radio industry as a step towards control of public information at home.

The State Department is cold to the idea, averse to governmental propagandizing of its policies, preferring commercial channels of communication for kite-flying purposes.

Clamping Down on Reports

The immediate effect of the President's move to cut down on statistical reports required from business will be to hold up the Fulmer bill to extend the Census Bureau's activity.

The eventual object of Roosevelt's instructions to the Central Statistical Board is to codify and revise present laws under which government agencies now call for figures on this, that, and the other phase of business operations.

While the purpose of the Fulmer bill, which recently passed the House, is to furnish statutory authorization for statistical services now being carried on with the cooperation of business itself in many lines, its effect might be to project the Census Bureau into fields occupied by other agencies.

The bureau claims that it would not act where its services are not de-

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sired, but there is some objection to giving it power to demand disclosure even on the confidential basis that individual reports are handled.

Abandoning Browbeating

The Department of Justice will abandon its practice of forcing consent decrees by holding over defendants the threat of criminal indictment.

It was this practice that Judge Geiger at Milwaukee condemned last December in dismissing the grand jury investigating alleged coercion of dealers by the principal automobile manufacturers and finance company affiliates.

The automobile case will be placed in the hands of a grand jury sitting in South Bend, Ind., and in future the department will not resort to concurrent use of civil and criminal proceedings and will not seek consent decrees in cases where the final outcome of the criminal case is uncertain.

Approve Bonneville Rates

Bonneville power rates, proposed by Administrator Ross, will be approved by the Federal Power Commission. Portland, Ore., which has fought for a low rate reflecting its proximity to the project, may object.

Early in the game, however, the Administration made it clear that Bonneville was a federal and not a municipal project, that its cheap power would have wide distribution. The postage-stamp rate—same price to all within transmission distance—carries out this idea. The single exception, granting a lower rate for power used near the plant, satisfies those who think that continuous-process industries must be attracted to insure full utilization of the tremendous output.

Ross's idea of selling on a kilowatt-year basis is a master stroke. Public power advocates like it because it promises very low cost; the private utilities approve because by using their existing generating equipment to carry peak loads, they think they can get greater utilization, and thus lower net cost, than the public distributors.

Why The Rush on TVA

Wheels-within-wheels account for the decision of the TVA investigating committee to call Arthur E. Morgan and his two opponents before them without further delay.

All of its members would prefer to let matters slide until the end-of-session pressure is relaxed, but Administration supporters are convinced that the ex-chairman now has little except suspicion behind his charges and that his appearance on the stand will make this clear to everyone. Delay, on the other hand, increases the risk that the good doctor will show up with some supporting data. Hence the zeal for immediate action.

No Brakes on FPC

Senators think there is no use pushing through a bill that the President would veto; so Sen. Bailey's proposal to permit court review of findings of fact as well as formal orders of the Federal Power Commission has been sent back to committee for embalming.

When considered only in the light of FPC's North Carolina decision holding the proposed Tuckertown development a menace to navigation, the bill looked reasonable and was perfunctorily approved both by a subcommittee headed by Sen. Norris and by the Senate itself.

The bill's terms were so broad, however, as to open to court contest practically all minor acts of the power commission and to establish an important precedent affecting the activities of other independent agencies. So the New Deal Federalists called in the shock troops and got the vote reconsidered.

The Administration doesn't take seriously the warning of the Carolina Aluminum Co. that the FPC ruling will block construction of the development which it had planned. Defenders of the FPC think that after the smoke clears away, the company will make another license application.

Roper Reconsiders Resigning

Uncle Dan Roper still is Secretary of Commerce, and Margie Renn, the secretary of the Secretary of Commerce, is running the works as usual. Genial Mr. Roper really did consider resigning when he learned that Sumner Welles, the Under Secretary of State, was plotting against the Commerce Department, but it was right on pay day.

It seems that Welles had had some talk with Roosevelt regarding better coordination of the two departments and on the strength of that he added to a bill, providing retirement benefits for the Commerce Department's foreign service staff, an amendment that would have transferred the whole kaboodle to the State Department.

The feud goes way back to Hoover days and to the organization of an effective staff to report on foreign business that was greatly resented by the State Department.

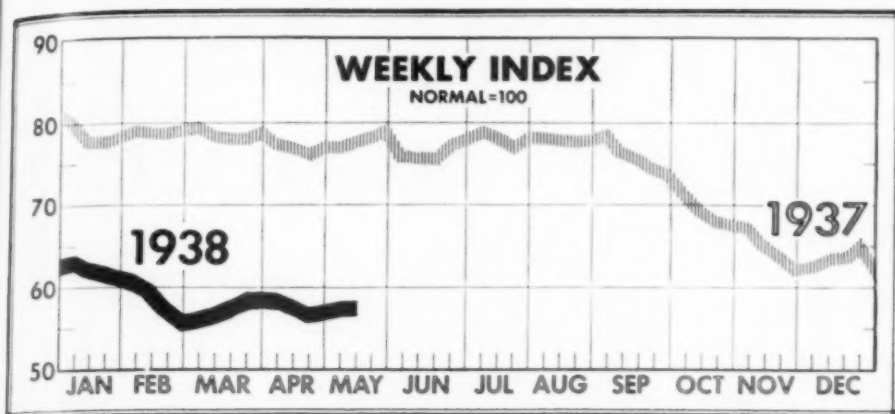
Checking With Margie

The Bureau of Foreign and Domestic Commerce today is in a pathetic state. It has been starved for funds, and the personnel works at sixes and sevens with each other.

One has to be careful with whom he is seen eating lunch as various cliques are trying to cut each other down. Petty tale-bearers run to Margie with their troubles, ask permission to get a haircut.

Informed experts are ignored in the consideration of departmental and administration plans and policies.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*58.3
Preceding Week	†58.2
Month Ago	58.6
Year Ago	78.4
Average 1933-37	68.3

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	30.7	30.4	32.4	90.0	59.7
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$8,462	\$8,289	\$8,466	\$10,482	\$6,392
Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands)	\$7,749	†\$7,491	\$8,144	\$9,069	\$5,112
*Bituminous Coal (daily average, 1,000 tons).....	820	859	980	1,164	994
*Electric Power (million kw.-hr.).....	1,968	1,939	1,958	2,195	1,794

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Carloadings (daily average, 1,000 cars).....	89	91	87	127	104
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	63	63	60	82	70
*Check Payments (outside N. Y. City, millions).....	\$3,566	†\$4,105	\$3,475	\$4,401	\$3,489
*Money in Circulation (Wednesday series, millions).....	\$6,396	\$6,407	\$6,380	\$6,405	\$5,749

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.82	\$1.81	\$1.85	\$1.30	\$1.96
Cotton (middling, New York, lb.).....	8.67¢	8.66¢	8.93¢	13.21¢	11.51¢
Iron and Steel (Steel, composite, ton).....	\$38.52	\$38.52	\$38.59	\$40.05	\$33.32
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.000¢	10.000¢	10.000¢	14.000¢	9.592¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	137.0	136.6	141.1	207.0	155.7

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Bond Yields (Standard Statistics, average 45 bonds).....	6.36%	6.29%	6.72%	4.40%	4.81%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.85%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	.75-1%	.75-1%	.75-1%	1.00%	1.13%
Business Failures (Dun and Bradstreet, number).....	231	231	278	190	249

BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,589	2,589	2,602	2,576	2,458
Excess Reserves, all member banks (Wednesday series).....	2,480	2,440	1,727	936	1,588
Total Loans and Investments, reporting member banks.....	20,810	20,842	20,794	22,205	19,851
Commercial and Agricultural Loans, reporting member banks.....	4,110	4,126	4,246	4,183	4,110
Security Loans, reporting member banks.....	1,184	1,239	1,164	2,080	1,184
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,361	9,323	9,131	9,487	9,361
Other Securities Held, reporting member banks.....	2,998	3,002	3,096	3,187	2,998

*Factor in Business Week Index. *Preliminary, Week Ended May 14. †Revised. ‡Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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It calculates the extensions and accumulates the results into a grand total; computes the discount; and, at a touch of the minus key, subtracts this discount from the gross to give the net result . . . all in one handling of the figures.

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Computes the gross pay of each employee; totals various deductions; and, at a touch of the minus key, subtracts this total from the gross to give the net pay . . . all in one handling of the figures.

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THE BUSINESS OUTLOOK

BUSINESS this week continued to mark time. There was a rather general agreement that the prospects for the near future were not bright. Such political developments as the TVA-utility negotiations and the Pennsylvania primaries seemed to point in a constructive direction; but others, in particular the talk of several Senators of refusing RFC credit to the railroads unless they maintained present wage scales, threatened to be adverse. Regardless of the current situation and the immediate outlook, however, there are grounds for holding that enough fundamentals are in process of change to result in a broad turn-around in productive activity in the last half of the year. This would mean a better level both of business and of prices during the autumn months.

Industry Holds Its Own

The indexes of productive activity reported this week continued to hold the new levels established the week before, two or three points below the January-March baseline. In other words, industrial production held its own, on a seasonally adjusted basis, in the first quarter of the year, but in April it failed to make its usual seasonal improvement. This took such indexes as steel, automobiles, carloadings, power production, and privately financed construction contracts down to new lows, after adjustment for the seasonal factor. There has been no further deterioration during May, but this is small comfort for the disappointing results of April.

Steel Activity Unchanged

Steel activity is practically unchanged this week. This makes the third week in which it has held between 30 and 31% of capacity and the twentieth week in which it has held between 26 and 36%. In other words, the rate of operations since the beginning of 1938 has been approximately 30% of capacity, or about one-third of what it was one year ago. Nor are observers in the trade predicting any improvement in the next two or three months. If anything, the summer is expected to see a further slipping off from present levels, as is normal during the early summer months.

For Natural Revival

One can hardly overemphasize the trough into which business has fallen when operations in the most basic of

manufacturing industries continue for four months at less than one-third of capacity. The word "recession", preferred as it is by the present Administration in Washington, must give way at last to the franker "depression," used in the Hoover Administration. The only redeeming features today are that the longer this depression continues the more seriously it will be taken by political authorities, and the nearer the country will be to a revival of at least moderate proportions based on the operation of natural factors.

Using Up the Goods

The main natural factor working toward revival is the continuance of consumption at a rate higher than production. To illustrate by the case of steel, this means that consumption is probably running somewhere between 40 and 45% of capacity while production is only 30%. Inevitably inventories of steel and steel products are being depleted. Inevitably new buying will appear and production will increase even if there is no improvement in such consuming industries as automobiles, building, and railroads. The timing is another matter, but analysis of the few available data and a general view of the situation both indicate that the time for this pick-up should be next fall. The principal point to bear in mind is that the country never has, cannot now, and doubtless never will, carry on for long with so low a level of steel production. The industry's activity has dropped to 30% many times in the past and doubtless will do so many times in the future, but to every such period a recovery eventually succeeds.

Steel against Price Cuts

The demand for steel, and the general industrial outlook, are very much influenced by the trend of steel prices, and the price of steel is closely tied up with the rate of wages. Present prices have been reaffirmed for third quarter delivery, with very minor changes. Any important reduction would have been a surprise. The steel executives' analysis of the general situation leads them to believe that a price cut at this time would not increase demand. Had it not been for the government's new spending program, it is quite possible that a different policy might have prevailed at this time, but the Administration's intention to point general price levels upward (whatever it may wish in individual cases) has now been made fully clear. The steel

price-wage problem is bound to arise again; possibly a different solution may be reached three months from now.

Outlook for Automobiles

The one important index which dropped last week was automobile production, which was off about 10% to a new low level since the beginning of mass production of 1938 model cars last October. The outlook for this key industry is still poor, at least until it is carried up by any general industrial revival. In other words, schedules are pointing downward until the introduction of 1939 models later in the year. Moreover, the automobile manufacturers have temporarily, at least, abandoned their plans to introduce important changes in the 1939 models, and this in turn will militate against much of a pick-up in sales. If, however, the general index of business points upward, the accompanying increased feeling of security on the part of millions of individuals may prove to be what is needed to make many of them invest in new automobiles. This industry, however, is hardly likely to lead in recovery.

Home Building May Lead

Residential building, if Federal Housing Administration mortgage applications are translated into actual construction, is more likely to point the way. On Monday Sec. Ickes told the Senate subcommittee in charge of the new spending legislation that even the PWA projects already on file and approved would require several months to get started. In his opinion, the peak of employment on these projects will come in the spring of 1939. This confirms the view that the government spending program is likely to be only a contributory factor to any business revival in the fall, but that a revival itself will have to rest primarily on natural causes, supported by favorable political trends.

Economists Expect Rise

Such a pick-up in the autumn months is reported to have been the prediction of eight industrial and financial economists who were called into consultation by the Treasury on Tuesday of this week. Their predictions are worthy of notice, since several of their number made bearish analyses of the business outlook a year ago. Today it seems that they look for a poor summer, but for an improvement, especially in the consumers' goods industries and much less in capital goods, making itself felt around Labor Day.

This \$5,000 Electrical Installation Will Pay for Itself in One Year

"... one of the best investments we have made."

THE Truax-Traer Coal Company, Kayford, West Virginia, has this to say about an installation of G-E Pyranol capacitors in its mines:

"We purchased capacitors for our mines to correct our power-factor Figuring our power cost under the old contract and comparing it with power cost under the new contract I find our savings were \$2,055.41 for four months.

"The complete installation cost of the capacitors was a little more than \$5,000. You can readily see that this equipment will pay for itself the first year.

"In addition to the actual dollars and cents in savings that this equipment has created, we have not had any substation trouble at all, whereas under the previous condition of poor power-factor we experienced quite a number of substation failures and interruptions. I am convinced that this is one of the best investments we have made."

This coal company is an advocate of plant efficiency. It knows that the right equipment, properly applied to the job, will save money—it has proved this in its own mines.

Yours is a most unusual plant if there is no chance to make savings somewhere in it. Your needs may be met by capacitors, new motors and control, a new method of power distribution, instruments—any of a number of possibilities. Why not survey your situation now, when increased efficiency means so much to you, then check your findings with experienced application engineers? Our application engineering resources are always available to you or to your consulting engineers. Write to General Electric, Schenectady, N. Y.

Any reputable equipment will operate—but you obtain the greatest profits possible *only* when the correct equipment is skillfully applied to *your* job.

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BUSINESS WEEK

MAY 21, 1938

NLRB Highlights Major Issue

Labor Board maneuvers cautiously in court as government and business debate questions raised by Justice Hughes' warning on "quasi-judicial" agencies.

UPHELD in two more appeals to the Supreme Court, the National Labor Relations Board intensified its efforts this week to vacate several notable orders of recent weeks, to review the labor cases which brought about the orders, and to give the employers concerned an opportunity to take exception to claims presented in tentative reports. By these precautionary moves this "quasi-judicial" agency of the government hoped to avoid any technical reversal at the hands of the courts, on charges that the employers had not been given a full and fair hearing.

Question of Power Still Stands

Meanwhile, a question in the minds of many business men, lawyers, labor relations advisers, and politicians remained unanswered. It was: "Should administrative and prosecuting power be separated clearly from judicial power, or is it possible to combine these functions in the same hands?" Under the Wagner Act, the NLRB has some of each kind of power, and future campaigns for amendment to the labor law are likely to dwell on this point. Furthermore, the issue raised by the "quasi-judicial" agencies is

likely to be felt throughout the whole field of governmental activities.

A haze of politics hangs over the NLRB debate, making objective and dispassionate thinking difficult for the average man, especially in a year when Congressional elections are due. Chief Justice Charles Evans Hughes, issuing an order reversing Sec. Henry Wallace's decision in the Kansas City Stockyards case, not only brought the issue of a "full and fair hearing" to



Underwood & Underwood

CHARLES FAHY

NLRB's chief counsel steers the right cases to the Supreme Court.

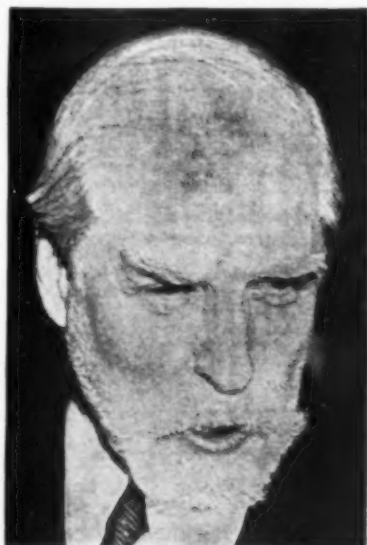
cause why it should not withdraw its order prohibiting the NLRB from reopening the Republic Steel case. Next Monday, when government attorneys, counsel for the circuit judges, and Republic lawyers appear before the Supreme Court, another chapter will be written.

In the present debate, NLRB is aggressively represented by its chairman, J. Warren Madden, who went on the air to explain the board's policy this week, and by Charles Fahy, chief counsel, who has steered the decisions so carefully thus far that every one to reach the Supreme Court has won that body's approval.

Employers Have Expert Counsel

On the other side are ranged some of the biggest employers in America, represented by expert counsel. One of the attorneys, now heading the Ford defense, is Frederick H. Wood of New York, who has an impressive record of success in defending clients against unfair orders of governmental agencies. Mr. Wood is the man who is credited with knocking down NRA single-handed, when he was counsel for the Schechter brothers in the famous "sick chicken" case. In the Kansas City Stockyards case, from which sprang the present turmoil, he was chief counsel for the packers and his citing of the need for a "full and fair hearing" was the point which won.

An evidence of Mr. Wood's keen understanding of the problem is found



Acme

CHIEF JUSTICE HUGHES

His insistence is on the "spirit of the just judge."

the attention of all, but also rallied anti-Administration forces. Sec. Wallace's answer to Mr. Hughes, in an open letter, was adopted as the answer of pro-New Deal debaters. Mr. Hughes' speech to the American Law Institute, in which he insisted that quasi-judicial agencies must move under the "spirit of the just judge", was hailed by those who would amend the Wagner Act as indicating the trend of popular opinion.

Cries that "the NLRB is on the run" were hushed this week, however, when the Supreme Court upheld the board in the Mackay Radio case, and at the same sitting directed the Third Circuit Court of Appeals to show



Acme

FREDERICK H. WOOD

The Ford attorney has an impressive record of success.

in his answer to Sec. Wallace's letter to Mr. Hughes, which was published last week. The Wood letter, explaining Justice Hughes' requirement in the stockyards case that an intermediate report be rendered, said: "While such practice was of great value, it was not essential, provided the substance of a full hearing was given." Thus he anticipated the Supreme Court ruling in the Mackay Radio case, wherein the court found unanimously that the company was adequately advised of proceedings although no intermediate report was given by NLRB.

Still up in the air this week were the Ford, Republic Steel, Inland Steel, Heinz, and Douglas Aircraft cases, all of which went to the final order stage and all of which are now involved in NLRB efforts to retrieve them from court custody so that intermediate reports may be rendered.

Board Plans Appeals

In the meantime, NLRB is planning to appeal three adverse decisions rendered within the past two weeks by circuit courts, in the Columbian Enameling, Thompson Products, and Sands Manufacturing cases. These appeals cannot be heard by the Supreme Court before next fall, at the earliest, inasmuch as the court will recess for the summer on May 31. So the entire debate on NLRB, and legal moves to increase or restrict its powers, will go on unabated until election time—and probably after that.

North Meets South Again

But the sectional battle is only one of many complications confronting the Administration's new attempt to pass the wage-hour bill.

WASHINGTON (Business Week Bureau) —Something is bound to be screwy about any analysis of the prospects for wage-hour legislation which, next week, becomes again the big business news in Congress. Nobody can reconcile all the contrary factors that will determine its fate. Nobody is unreservedly for any bill, except possibly the Committee for Industrial Organization and the C.I.O. is just posing to make the American Federation of Labor look like small potatoes. Somebody is against every bill but some bill may pass.

A.F.L. will fight for its own, the bill that comes up in the House Monday, because it vests no discretionary authority in a government agency such as the NLRB. The Administration blames A.F.L. for burying in the House last December the bill that passed the Senate last August. It looks with acute disfavor on the A.F.L. bill reported from the House Labor Committee in April by the lady from New Jersey. Even so, the White House is working for passage of the bill as it might be patched up in conference committee later.

The Senate might accept a House bill that allows wage differentials to

the South. The chances that the House may hang such an amendment on the bill are slim, however, as many Northern Congressmen will vote for the bill only because the flat wages and hours standards that would be evenly applied to the entire country would tend to check migration of industry to the South. A.F.L. will fight off a differential provision as this would entail exercise of discretionary authority and a board to do the authorizing. It's a dizzy round in which politics, sectionalism, economics and labor's civil war are hopelessly jumbled.

Effect of Norton Bill

The Bureau of Labor Statistics estimates that enactment of the Norton bill would eventually increase the pay of about 850,000 workers and shorten the hours of about 2,500,000 workers. These figures are based on a 40¢ minimum wage that, under the Norton bill, would not be reached for three years and a 40-hour week that would not be reached for two years. The bill starts at 25¢ and 44 hours, picking up 5¢ and dropping two hours in each of the next two years after passage. In estimating that 10% to 15% of workers in interstate industries affected would get wage increases, the Bureau used earnings figures available for 6,845,000 workers last fall.

The House bill provides for application of the statutory standards to all industries (except agriculture and a few exempt classifications) that are found by the Secretary of Labor to affect commerce. The Senate bill provides for the fixing of varying minimum wage rates up to 40¢ and varying maximum hours down to 40 hours, to be determined, according to occupation and territorial limits, by a 5-man board following an examination of conditions, including the differential wage relationship between North and South.

Average Rates vs. Actual Rates

According to a survey by the Bureau of Labor Statistics in July, 1937, minimum wages in the North average more than 55¢ for unskilled industrial labor, in the South 38¢. This would indicate that the House bill's 25¢ bottom would have little effect either north or south of the Mason-Dixon line and that the Senate bill's 40¢ top minimum wouldn't greatly affect the South. The difference between average rates and actual rates provides plenty of room, however, for the fight in Congress. The South wants a hole in the wage

What the NLRB Has Done

	Total Cases	Workers Involved	Cases Closed	Withdrawn by Petitioner	Closed by Agreement	Dismissed Before Formal Action	Closed Other Ways	Strikes Handled	Strikes Averted	Strikes Settled	Elections
Fifteen months to											
January 1, 1937...	1,767	646,078	1,279	402	600	198	82	308	89	198	83
January, 1937	110	24,744	118	25	78	14	1	34	10	31	3
February	193	74,870	123	37	64	17	5	31	2	16	5
March	239	49,616	143	25	91	25	1	46	61	40	7
April	477	159,251	216	57	129	22	6	49	23	35	29
May*	1,064	319,572	447	56	328	48	15	107	51	103	74
June	1,284	369,856	671	139	468	57	5	141	70	100	108
July	1,343	305,161	775	136	472	162	5	105	22	87	183
August	1,122	306,006	743	146	448	129	20	95	64	75	106
September	991	180,465	763	126	483	133	21	105	21	98	99
October	1,053	181,351	801	190	454	99	58	105	22	71	82
November	921	432,061	915	200	514	127	74	92	48	77	88
December	611	162,667	684	213	313	133	25	45	6	38	81
January, 1938	682	136,729	864	281	394	145	44	116	16	103	52
February	623	114,585	539	155	248	107	29	69	14	53	69
March	896	127,231	716	189	349	151	26	54	24	34	78
April	827	180,179	595	149	315	103	28	53	13	26	71
31 Months' Total	14,205	3,770,422	10,392	2,526	5,748	1,670	445	1,555	556	1,185	1,218

* Supreme Court upheld Wagner Act, April, 1937

Source: National Labor Relations Board

Business Week

NATIONAL Labor Relations Board activity, as shown by the table for 31 months, fell off sharply during the slack period of last December, January, and February, when the unions were reforming their policies to conform with the business slump. In March, petitions to the board increased, but the trend was shown to be slightly down in April when figures were released this week. This month brought a change in NLRB examination methods (BW—May 7'38,p27), and greater delay in clearing cases from this point on is probable unless the facilities of the board are expanded.

floor. Hours don't present much of an issue as there's little difference between north-south averages but the extent to which employees are worked over the maximum has the effect of raising the minimum wage rates, for both House and Senate bills prescribe time-and-a-half for overtime.

The Administration has conceded much since the original bill was placed

in the hands of ex-Sen. Black and the late Rep. Connery of Massachusetts last May. The first mimeographed edition would have empowered the administrative board to establish a minimum wage as high as 80¢ an hour and a work-week as short as 35 hours in occupations where the facilities for collective bargaining are inadequate or ineffective.

after receiving a friendly handshake than it does simply to get a kick in the pants. So they hesitate to pledge cooperation with the government when they feel that PWA, for example, has a boot poised for the kick.

Most utility executives fear PWA projects more than big jobs like TVA. PWA-financed municipal plants, which get their money at a ridiculously low interest cost, cut the most populous and profitable areas right out of the public utility systems.

So far as peace in the TVA area is concerned, the Knoxville offer provides the first clue. Tennessee Public Service, serving Knoxville and environs, is a small company. Its properties are almost entirely a distribution system and traction lines; it buys its power. Knoxville and TVA won't buy the traction lines, and they leave out assets worth between \$2,500,000 and \$3,500,000 to the company. What it comes down to is a bid of \$7,500,000 for properties the company carries at between \$9,500,000 and \$10,500,000. TVA says the offer represents the fair value of the electric properties, and that the traction lines (which have always lost money) should have been written off; the company says it was obliged to operate the traction lines so why should it have written them off?

"25% Friendlier to Utilities"

In any event, the offer of \$7,500,000 compares with one of \$6,200,000 in 1934. One wag suggests that this shows the government is about 25% friendlier to the utilities than it was in 1934.

The real test will come when TVA starts negotiations for Commonwealth & Southern's properties, notably Tennessee Electric Power. This company claims a value of about \$107,000,000, and traction lines make up only about one-eleventh of that figure. Hence C. & S. figures the outside auditors hired by TVA shouldn't trim the claimed assets much (the audit should be complete in a few days). In fact, C. & S. officials seem quite optimistic on the price they may get.

War Moves Mar Utility Peace

Electric companies are still hopeful but ask for action suited to Washington's soft words, watch especially PWA's power plans.

SEVERAL leading executives of the electric utilities visited Washington this week to see if efforts at peace with the government had progressed far enough to bear fruit. Others, who didn't have occasion to be in the national capital, had their ears to the ground.

Within the electric industry there is plenty of hope that peace can be concluded (*BW—May 14 '38, p. 13*). Yet the top men in the business admit in private that they would be much happier if all the talk were backed up by just a little bit more concrete action. They continue to harbor some bitterness over the many peace overtures which were scuttled in Washington between 1934 and 1936. They frankly fear that, once again, action is not being suited to the thousands of words which have been uttered.

Executives Specify Grievances

Specifically, they have several complaints about things which have happened at the very time when peace talk has been the loudest:

(1) The House has boosted the \$60,000,000 appropriation for Rural Electrification Administration to \$100,000,000.

(2) Public Works Administration has notified cities which previously have applied for loans and grants for

municipal power projects, only to find that there was no money available, that they can come and get it now. True, "Honest Harold" Ickes says these cities have not been "solicited," but the utility men point out that he has not been slow to pass out gentle hints.

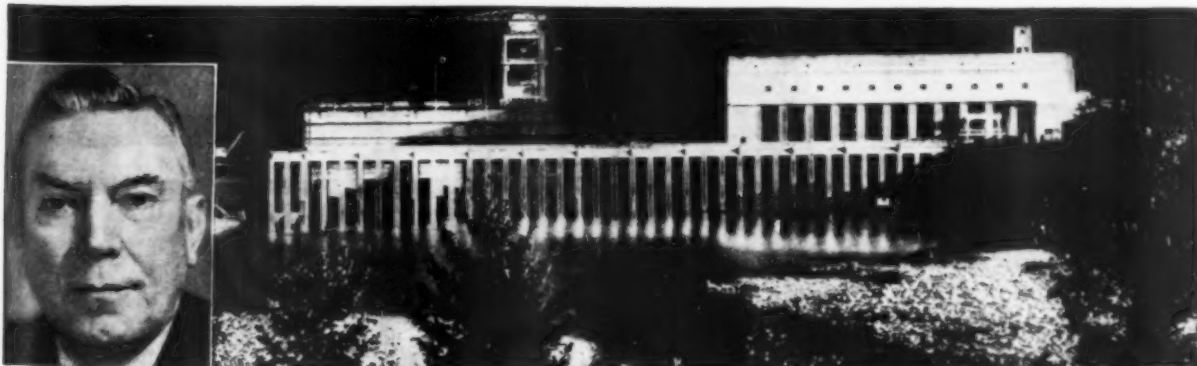
(3) PWA, as the lending-spending bill is drawn, has opened the gates to hard-up municipalities. These cities, if local laws limit their borrowing powers, may have public works built for them by PWA and pay them off on a rental basis. This subterfuge keeps the city within its debt limit.

(4) Orders have been placed for two more generators for the Bonneville project, the TVA of the Northwest.

(5) Bonneville has submitted to the Federal Power Commission its proposed electric rates. The utilities have studied them and, while admitting the difficulty of making a categorical statement, think these rates, if anything, are even lower than those of TVA.

(6) TVA's bid of \$7,500,000 for the Knoxville properties of National Power & Light (Electric Bond & Share System) left much to be desired because it represented somewhere between \$60 and \$80 on the preferred with nothing whatever for the common shares.

Utility men think it hurts much worse to get a kick in the pants right



BONNEVILLE—A night view of the power plant of the "TVA of the Northwest." Inset is Administrator J. D. Ross, who has submitted to the Federal Power Commission the rates proposed for Bonneville's power.

Underwood & Underwood, Engineering News-Record

Table Television

New small set brought out as broadcaster warns that television is still experimental.

ON Thursday of last week, Communicating Systems, Inc., a New York entrepreneur with ambitions to make and market a Model-T video receiver, announced its readiness to attempt to crack open the potentially rich field of commercial television.

A few hours after this announcement was made, Radio Corporation of America, whose exhaustive experimental work in the past few years has made it top dog in television, replied in effect that the field was not yet ready for commercial exploitation. Thus RCA reaffirmed its long-standing position that television should not be put on the market until technical perfection is such as to assure prospective set owners both high quality entertainment and protection against set obsolescence.

Demonstrates Receiver

Communicating Systems, Inc., served notice of its intention by the simple procedure of calling in a few reporters and demonstrating the first small table-type receiver to be put on public exhibition. The 9-tube set has only a three-inch screen—about a third the size of those in laboratory receivers demonstrated by RCA, Philco, Farnsworth, and others—but the pictures were clear and operation was simple. (There were only five controls, and ten feet of wire flung out the window served as an antenna.) Most important was the fact that the set is made to sell for "about \$125"; a sound receiver to pick up the ultra-short-wave signals or a converter to use with existing long-wave sound receivers would cost the customer an extra \$15 or \$20. These figures compare with estimates of \$400 or \$500 for the larger sets which have been exhibited so far.

RCA's indirect reply took the form of a handwritten sign exhibited as part of its television broadcast. The sign warned that the regular schedule of television broadcasts which RCA has been airing from its Empire State building transmitter in New York City during four afternoon and two evening hours a week should not be interpreted as any guarantee of regular service; television, it strongly intimated, was still in the experimental stage.

Targets of Statement

The warning was generally interpreted as being aimed not so much at Communicating Systems, Inc., as at the dozen or so fly-by-night "television companies" whose chief stock-in-trade is high-pressure operators who use the regular schedule of RCA broadcasts as evidence that television has really ar-

rived and that this is the time to get in on the ground floor by buying a few shares of Top-Notch Television, cumulative preferred convertible double-reversible.

Goodrich Lone Hand

Renewal of Firestone union contract leaves Goodrich to carry fight for wage-cuts.

THE B. F. Goodrich Co. found itself carrying the ball alone this week in the campaign for lower wages in the rubber industry in Akron. Firestone signed a new contract with the United Rubber Workers at last year's rates, after negotiations were stalled for several weeks pending a settlement of the Goodrich wage question.

The Firestone contract, more than ever, places Goodrich union men in a spot where if they take a wage cut, as once they indicated they might, they would bear the blame for wage cuts made elsewhere for competitive reasons. For the Firestone contract provides for reopening the wage clause "if conditions in the industry warrant", meaning if Goodrich workers take a cut.

What effect the Firestone action will have on the Keep-Goodrich-in-Akron campaign is questionable. The campaign itself has faded rapidly since the Goodrich union voted down the company's contract and a 12% wage cut (*BW*—May 7, p. 13; Apr. 30, p. 15 '38). Up till the vote the company had threatened further decentralization, removal of 5,000 jobs from Akron plants.

The situation at Firestone and the situation at Goodrich are not strictly

comparable, however. The bulk of Firestone's Akron product is tires while much of the big Goodrich plant's output is mechanical goods. It is in the mechanical goods field where the differential between Akron wages and wages elsewhere hurt most. Not only is the differential larger, but a greater amount of labor goes into these products in most cases.

Again, Firestone has just about reached its present limit of decentralization; Goodrich hasn't. Firestone's last decentralization was the purchase of the Andrews-Alderfer Co. Akron rubber thread makers employing about 80 workers, and its removal to the new Firestone location at Fall River.

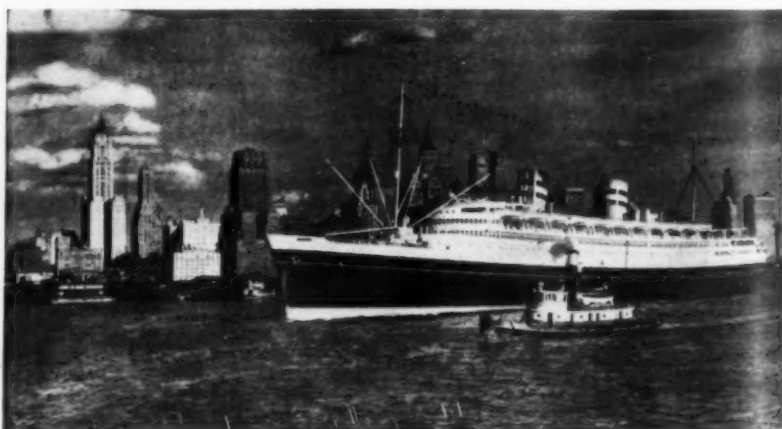
The new Firestone contract is substantially the same as the one signed last year at the close of the Firestone strike. It washes out all company union activity, provides for a 36-hour week, and pledges the union against slowdowns and strikes.

Situation Full of Snags

Efforts to re-open the Goodrich negotiations lags after the U. S. Labor Department report on its study of Goodrich wages said, in effect, that the government didn't know the answer to the Goodrich situation, either.

The report, made by A. F. Hinrichs, labor department statistician, agreed with the company that Goodrich plants in Akron operate at a disadvantage with competitors elsewhere. It agreed with the union that a cut at Goodrich likely would mean wage cuts at all other Akron plants. Then, speaking of the industry generally, the report said the department could see no justification for a general wage decrease.

Holland's New Sea Queen Arriving at New York



THE 36,287-ton Nieuw Amsterdam, flagship of the Holland-America Line, as she steamed up the Hudson River early this week, completing her maiden voyage to New York in slightly less than six days. Ranking tenth in size among

the world's ships, the Nieuw Amsterdam is not a contender for any superlative rating. But she is the first trans-Atlantic liner with a private bathroom to every cabin class stateroom, and her air-conditioning plant is the largest afloat.

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ELECTRICAL APPLIANCE TRADE-IN ALLOWANCE SCHEDULE

Effective as of March 10, 1938

The following schedules show the maximum trade-in allowances that shall be allowed on electrical appliances. It is understood that there will be no premiums or free gifts permissible over the maximum schedules set forth unless such special deals are announced on a national basis by the manufacturer, and that there will be no further allowance in the way of a discount; except a 2% discount may be allowed on all cash deals (cash with order or on delivery) to meet trade stamp competition. There shall be a 6% minimum financing charge.

Trade-in shall be defined as replacing a piece of equipment in use at the time of the sale and removing same to the seller.

MAXIMUM TRADE-IN ALLOWANCES FOR DOMESTIC REFRIGERATORS:

A maximum 8% of list price for ice boxes.

No trade-in or any special discounts on 1937 models.

Ten per cent (10%) allowance on list price on "Orphans" used mechanical refrigerators and on lately developed, insulated and air conditioned ice refrigerators, such as Coolerator, Everpure, etc.

Fifteen per cent (15%) allowance on used mechanical refrigerators, models prior to 1933.

MAXIMUM TRADE-IN ALLOWANCES ON ELECTRIC RANGES:

Ten dollars (\$10.00) allowances on ranges carrying a list price of under \$100.00.

Fifteen dollars (\$15.00) allowances on ranges carrying a list price under \$200.00.

Twenty dollars (\$20.00) allowances on ranges listed at \$200.00 and over.

MAXIMUM TRADE-IN ALLOWANCES ON GAS RANGES:

No trade-in allowances on gas ranges listing under \$55.00.

Ten per cent (10%) trade-in allowance on gas ranges listing at \$55.00 and over.

MAXIMUM TRADE-IN ALLOWANCES ON WASHERS AND IRONERS:

WASHERS

No trade-in allowance on washers listing under \$59.00.

Ten per cent (10%) allowance on washers listing at \$59.00 or over.

Water power washers shall have no trade-in value.

IRONERS

Five per cent (5%) allowance only when a used ironer is traded in.

SALESMAN UNION PROPOSES TO ENFORCE THE TERMS OF THIS AGREEMENT.

BACK TO 1933—Milwaukee dealers who sign up with the salesmen's union agree, among other things, to stick to the NRA-like trade-in allowance schedule shown here.

Union Helps a Local "NRA"

Milwaukee furniture and appliance salesmen get closed shop in return for assistance in policing the business and ending "chiseling."

THE Spirit of NRA has been revived in Milwaukee. At least, a deal which has been concluded there, whereby furniture and appliance salesmen are accorded certain liberal unionization privileges in exchange for their support of the employers' price stabilization policies, is reminiscent of cooperation as it was practiced under the blue eagle.

The idea isn't new—it was part of last year's agreement between Eastern silk manufacturers and Sidney Hillman of the Committee for Industrial Organization (*BW*—Aug 28 '37, p. 24)—but, as worked out by the Retail Appliance Salesmen, an American Federation of Labor union, it reaches a fine point of development. Salesmen and dealers in other cities, notably Chicago, are said to be impressed with the possibilities inherent in a similar joint pact covering both trade practice regulations and labor rules.

Concentrate on Big Dealers

Thus far, the Milwaukee salesmen have been concentrating on the big dealers, attempting to get them signed up. The "little fellow" who doesn't abide by the terms governing trade-in allowances and other trade practices, as specified in union contracts with the big boys, is threatened with picketing; furthermore, it is intimated that distributors supplying such dealers will be faced with a boycott. Damages will be demanded from dealers who sign up and then fail to respect their

agreements with the union. As a matter of fact, the union, which has a staff constantly "shopping" the stores and watching for price-chiseling, already has levied and collected one fine.

Business' Attitude Toward Setup

Business men in Milwaukee seem to be rather reserved in opinions on the new setup, although some employers feel that a regimentation of business will tend to stifle the competitive spirit among both employers and employees. There are those who hold that a good salesman needs freedom of action, and that tying him too closely to mandatory rules will remove his desire to use every faculty in beating the other fellow to the sales.

On the other hand, the business community seems willing to give the union every chance to police the "chiseling fringe" and to give it full credit if a wide-open, price-cutting situation is eased. After discussing the outlook with members of the Wisconsin Radio, Refrigeration and Appliance Association, a leading journal of the industry, *Electrical Merchandising*, took no sides. It quoted one dealer in this way: "It's a shame to say it, but the union has cleaned up a mess that our association couldn't. Not 100%, but all chiseling right now is under the table. I understand that if a distributor does not play ball, the union may instruct its members to give that distributor's brand the thumbs-down sign in all Mil-

waukee stores. Whether a distributor can overcome this with "spiffs" [commissions] and whatnot remains to be seen. So far the distributors have played ball."

On the union side, every confidence is shown in the ultimate stabilization of local trade in appliances. It is admitted that salesmen's unions are a bit unusual, but similar moves in industrial insurance, automotive, and oil sales forces in the East and Middle West are cited. And the Wisconsin "fair trade" law is regarded as an ample base for the retail salesmen's contracts.

Philip F. Koerner, chief organizer for the retail salesmen's union, claims 98% saturation in Milwaukee, with 286 members. Dealers signed up thus far number 66. The first contracts were signed in January on a 60-day trial basis, and renewals were negotiated and signed. The contract provides for a closed shop, and does not touch on wages, leaving that open to further negotiation.

Carrying Plan to Chicago

Spreading out as it goes, the NRA-izing of business in this way is next jumping to the service men's department (with contracts now being signed), and from Milwaukee Koerner is carrying the plan to Chicago. The service men have been organized under another A.F.L. affiliate, the Brotherhood of Electrical Workers.

Many employers in Milwaukee say that it is too early to pass on the merits of the unions' stabilization plan, but that they hope it will work. Off-hand estimates are heard that the result will be a cutting-down of the number of retail outlets and a consequent concentration of the distributors' markets, so that big, strong distribu-



FAIR-TRADE POLICEMAN—H. J. Burbach (above), business manager of the Retail Appliance Salesmen's Union, keeps a staff of "shoppers" busy policing the retail shops in Milwaukee which have signed fair-trade agreements with his union. If he gets documentary evidence of a violation, he photostats it and goes to the employer, warning him to get back in line. As enforcement weapons, the union holds the threat of picketing, boycotts, and fines.

tors and retailers will roll along and little ones will be pinched out.

However, the business men do not deny that some of the salesmen have been "hanging on by their eyeteeth" and deserve a better break. One of the biggest retail distributors, George Ingram of Droegkamp-Ingram Co., puts it this way: "It's a good program if they stick to it as it is now operating. The good dealers like it—and the good salesmen like it."

Tighten Radio Prices

General Electric tries new fair trade contract to standardize trade-in allowances.

WITHIN the next month radio manufacturers will be bringing their new 1939 models out on the market. And with most of the new models will come new fair-trade contracts, hopefully intended to put a stop to the murderous price-cutting that's been going on in the industry this year (*BW—Apr 30 '38, p.20*).

The trade-in, more than anything else, has wrecked fair-trade contracts in the radio field this year. Some contracts permitted dealers to grant a certain percent of the purchase price of a new machine for a traded-in set. Since this meant that the price of the old machine could jump up and down according to the price of the new one, the courts refused to uphold this type of contract. Other contracts permitted dealers to grant a "reasonable al-

lowance" on a trade-in. These were equally ineffective, due to varying opinions on what was "reasonable."

The 1939 contracts will probably set a list price and a net price on each radio set, the net price being one below which a dealer cannot lawfully go. General Electric, first to announce its intention to adopt the stronger contract, lists one set at \$100, for example, with a net price of \$80, meaning that a dealer can allow not more

than \$20 for a trade-in on this set. It's a modification of the blue-book principle, used by the auto industry, which sets specific trade-in allowances on each used car, according to make, age, condition, etc. The radio industry may adopt the blue-book principle by 1940. For this year, though, it will probably try its hand at the less complex method, used in the G-E contract, crossing its fingers until the first court suit turns up.

Crude Oil Choke-Down

Texas and Oklahoma cut production to save prices, but the petroleum industry still has a heavy inventory problem. Kansas demands better treatment.

AERIAL bombs whose explosions officially opened the Tenth International Petroleum Exposition at Tulsa Saturday fitted perfectly into the industry's current situation. Things are popping all over the oil map. The assorted pyrotechnics include minor crackles in price structures, cuts in production of crude, and a booming demand from Kansas for materially better treatment under threat of blowing up the whole shebang with a grenade loaded with federal control.

For weeks the oil industry has been wondering what would happen if production of crude continued its pressure on stocks. Texas, the premier oil state,

took forthright action. In the face of bitter language from independent operators, Texas authorities on May 11 curtailed production by ordering a shutdown of wells on Saturdays as well as Sundays. Effect will be a 16½% cut in crude output.

Oklahoma followed with an emergency chop of 81,000 bbl. daily in May allowables. It was said that other oil states were considering similar measures. Back of the cuts was the action of C. M. Boggs, president of Kanotex Refining Co. and president of the Western Petroleum Refiners Association.

Mr. Boggs has been loudly proclaiming that something must be done to

LABOR ANGLES

BOTH A.F.L. and C.I.O. are after the Hershey chocolate workers, since the disbanding of the company union following an NLRB order. The C.I.O. News and the A.F.L. Weekly News Service both ran sizable stories about their prospects in Hershey this week, and each claims to be top dog. An employee election, a few months hence, probably will be necessary to settle the issue.

PHILIP MURRAY, one of C.I.O.'s "Big Three" (John Lewis and Sidney Hillman are the others), is being boomed in local industrial unions of the East and Middle West for the presidency of C.I.O. John Lewis is said to favor Murray, and to want to retire to "chairmanship of the board" himself. Big business will hear Murray several times this summer, the first being Thursday, when he addresses the National Industrial Conference Board in New York.

LATEST "report to employees" by a major company is that by Pres. E. G. Seubert of Standard Oil (In-

diana) to his 32,000 workers. In five pages of the *Stanolind Record*, Mr. Seubert discusses "What the employees did in 1937" and explains how the company made out, in dollars and cents. He concludes with these remarks: "Contrary to the theory too often expressed that employees and management must stand in conflict, relations with employees of these companies are still on a basis of two-sided respect, understanding and friendly effort to deal fairly."

PARTLY overlooked in the daily reports from the Amalgamated Clothing Workers' convention last week in Atlantic City was a significant remark by John Lewis; he announced that C.I.O. would open up with a brand-new organization drive as soon as business picked up. This confirmed the forecast in *Business Week*, issue of April 16 (pp. 20-22), which went further than Mr. Lewis' statement and announced that the steel and textile unions would be the big guns in the drive.

"Unforeseen events . . .
need not
 so often change and shape the course of man's affairs"



WHEN IDEAS TAKE WING...

There is a parallel between the history of modern aviation and that of The Maryland. Born about the same time, their objectives seemed in defiance of the nature of things. One sought to overcome gravity, the other to disarm the Future...dream stuff.

That "Unforeseen events *need not* change and shape the course of man's affairs" was the premise on which The Maryland started business in 1898. Today, ten thousand agents protect Maryland policyholders against almost every hazard of industry, business and the home.

In 1898 two brothers in Dayton studied birds in flight,

convinced that man could fly. A few years later, at Kittyhawk, they proved it. Today their dream is a miraculous reality... swift air liners whisk the traveller in palatial comfort across continents, over oceans and, tomorrow, around the world.

In this, its 40th anniversary year, The Maryland is proud to be a member of the group of forward-looking Casualty-Surety companies whose services have been extended to man's greatest achievement in transportation...conquest of the air. Aviation could scarcely have advanced so swiftly, so surely, so confidently, without this cooperation.

THE MARYLAND

MARYLAND CASUALTY COMPANY • BALTIMORE

relieve the independent refiner from the squeeze of high-priced crude and low prices received for gasoline. Finally he put it up to producers from whom he was buying:

"Do you want me to close my plant and cut off your outlet for crude oil, or will you take a 25¢ cut in price?"

His suppliers took the 25¢ cut. But the effect was further to shake the already wobbly price of Mid-Continent crude, the basic average of which is \$1.21 per bbl. By thus bringing the problem to a focus, Kanotex forced what had long been talked of—a slowing of production to allow strengthening spring demand for gasoline to take the weight off overhanging inventories.

E. W. Marland, oil veteran and governor of Oklahoma, was highly gratified with the action of his state and that of

Texas in pinching down on production. He said it proved that states can handle their own oil problems without calling on Uncle Sam. Gov. Marland fathered the Interstate Compact idea which affords means for cooperation on oil conservation.

But while Gov. Marland was thus acclaiming the Compact philosophy, a loud disagreeable voice from Kansas was ringing in his ears. The uproar was produced by Gov. Walter A. Huxman, of Kansas. Gov. Huxman is a Democrat. He is up for reelection this fall.

Gov. Huxman has been hollering for better treatment for the producers of crude oil in his state (among them Alf M. Landon). His attitude is that Kansas' share of present demand (as estimated by the U. S. Bureau of Mines, which is the guide for state pro-

duction) is not the same ratio to her potential as is that of other states, and that Kansas is thus robbed of her rightful share of the market. Since it has done nothing for him, Gov. Huxman has given the Interstate Compact the impolite razzberry. He says:

"I don't want federal control, but if it is the only solution open for us, we'll be for it."

Gov. Huxman has been in Washington seeing a lot of people. Rival states aren't sure just where his next fusillade will come from. Maybe a Kansas member of Congress will introduce a bill for federal regulation, with state allocations on the basis of potential production; or Gov. Huxman may back new state legislation. Anyhow, the industry generally wishes that Gov. Huxman would make a little less noise at this particular time.

"Pipeline Proration" Hit

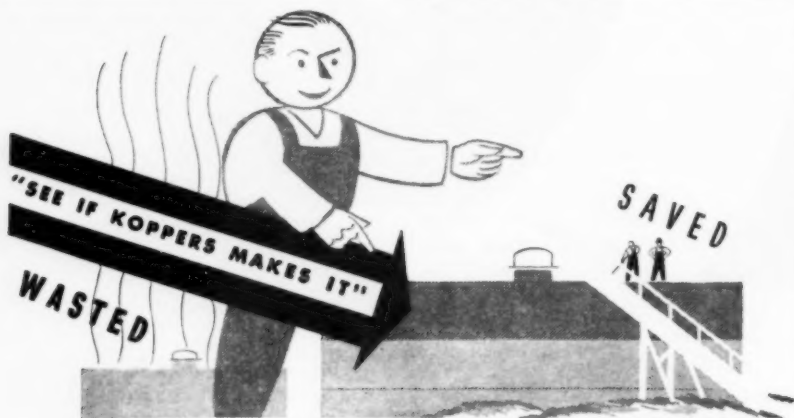
While Gov. Huxman was trying to force a bigger share of the market for his state, the Kansas Corporation Commission was taking a swing at "pipeline proration." This is the practice of refiners in refusing to accept the amount of crude set by authorities. The commission charged that the Kansas take of pipeline companies was 10% to 35% lower than its allowables. Companies cited were Stanolind, Sinclair-Prairie, Kanotex, Texas, Phillips Petroleum. The order said that refusal to accept the full official allowable was often the cause of "discriminatory, unfair, inequitable and unratable production" which is contrary to law and "must be corrected."

It remains to be seen whether the cuts in production will bolster the teetering price of Mid-Continent crude. The Kanotex price reduction isn't the only one. Stanolind Oil & Gas reduced crude prices 12¢ and 17¢ per bbl. on different grades in Wyoming. Ohio Oil made a 12¢ cut in the same area. Union Oil Co. announced reductions of 23¢ to 26¢ in one California field. In the huge East Texas field some crude has gone to market slightly under the official \$1.35 per bbl. posting.

Motor Fuel Stocks Decline

These fissures appear in the price structure at a time when the statistical outlook shows some promise. For the first week of May, motor fuel stocks fell 1,875,000 bbl. (to less than 90,000,000 bbl.). For that week the crude run to stills amounted to 2,808,000 bbl., which was 128,000 less than the previous week.

At the end of April, crude stocks were 307,654,000 bbl.; this was some 900,000 above the week before and almost 7,000,000 bbl. over the same date of 1937. In spite of the fact that gasoline inventories on the first of May were 9,000,000 bbl. over the same



The gas generated in sludge digestion tanks of sewage disposal plants is a valuable combustible fuel. It is usually burned to heat the sludge and to produce power for the operation of the plant. Many of those digestion tanks are of concrete and they are not gas-proof. This causes serious losses of the gas.

Koppers technical men were called in on this problem when a sewage disposal plant was being built recently in an Ohio city. Koppers Membrane Waterproofing was used to make completely gas-tight envelopes for the tanks. The waterproofing also prevents the action of ground water from causing deterioration in the tanks.

KOPPERS COMPANY · PITTSBURGH

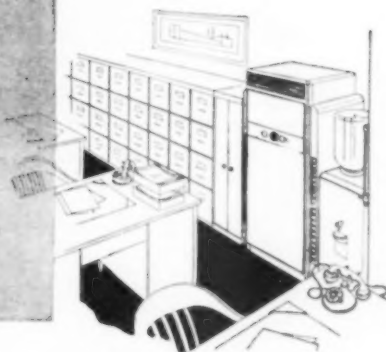
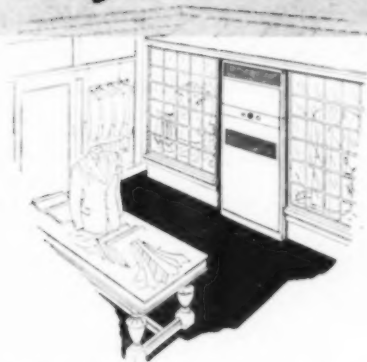
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K O P P E R S

Air Conditioning

AS YOU LIKE IT
WHERE YOU LIKE IT
WHEN YOU LIKE IT

WITH *Yorkaire*



NEW LOWEST-COST
complete
AIR CONDITIONING

VALUABLE ADVICE
It's cooling that counts! When choosing air conditioning, don't buy horse power... check up on the cooling capacity you get for each horse power.



Yorkaire gives you complete air conditioning in one package. Requires as little as 21" x 36" of floor space. It's good-looking (styled by Walter Dorwin Teague) harmonizes with any interior.

Delivers year-round air conditioning: Cools the air, reduces humidity in summer; heats the air, increases humidity in winter; filters and circulates the air summer and winter. Allows you to "dial" temperatures to meet personal preference.

Requires no elaborate connections. Can be installed in a few hours, in almost any convenient space. Models available for either alternating or direct current. If you should move, can easily be re-installed.

Extremely low in cost, both to buy and to operate. And this new method is backed by York's 53 years' engineering experience, covering over 70,000 installations.

Call the nearest York Branch or Distributor. Look in the classified section of your phone book. Or mail the coupon. York Ice Machinery Corporation, York, Pa. Headquarters Branches and Distributors Throughout the World.

← THE YORKAIRE PORTABLE

For single rooms; private offices. As good looking as the finest piece of furniture. Requires no piping. Just plug it in. Delivers complete summer air conditioning—comfort no matter what the weather—for only a few pennies an hour.

YORK ICE MACHINERY CORPORATION, YORK, PA.

I am interested in *Yorkaire* for store () general office (). Send particulars on the smaller *Yorkaire* for single rooms ().

Name.....

Street and Number.....

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YORK Headquarters for Mechanical Cooling since 1885
AIR CONDITIONING  REFRIGERATION

1935---8 Million Sq.Ft.

1,000,000 SQUARE FEET 1,000,000 SQUARE FEET 1,000,000 SQUARE FEET 1,000,000 SQUARE FEET

1,000,000 SQUARE FEET 1,000,000 SQUARE FEET 1,000,000 SQUARE FEET 1,000,000 SQUARE FEET

1938---5 Million Square Feet Have Been Disposed Of

SOLD OR LEASED SOLD OR LEASED SOLD OR LEASED SOLD OR LEASED

Only 3 Million Sq.Ft. Left

1,000,000 SQUARE FEET FOR SALE 1,000,000 SQUARE FEET ON LEASE 1,000,000 SQUARE FEET

Last week two more firms, one a canning company, the second a foundry operation, took over more Amoskeag Industries, Inc., property, bringing to a total of 43 the number of organizations occupying space in this now world-famous manufacturing center of Manchester, New Hampshire. Yet, alert manufacturers interested in low manufacturing costs, in an ideal manufacturing and distribution center, can still find space suitable for any requirement from 2,500 to over 500,000 square feet. When you plan to move, or expand, or de-centralize, investigate Manchester First!

FREE ENGINEERING SERVICE

Free consultation in all engineering problems is accorded all tenants of Amoskeag property.

Your booklet outlining Amoskeag property and advantages is ready.

Write for

"Your Share of the FIVE MILLION"

For Complete Details Please Write

MANCHESTER

AMOSKEAG COORDINATING COMMITTEE

Manchester, N.H.

period of last year, gasoline prices have been fairly steady. Not only did stocks decline during the week but consumption continues to rise. For the first three months of 1938, gasoline demand was 108,296,000 bbl., a gain of 2% over the same period of 1937. Consumption

for 1938 is expected to equal or even slightly to exceed the all-time record of last year.

The old family car (and the company truck) proceeding blithely from place to place may again put the industry out of its hole.

Urge HOLC to Ease Up

Congressmen want a moratorium on foreclosures, though the federal corporation says it hasn't been harsh. Collections are holding up well.

WASHINGTON (Business Week Bureau)—A delegation of nine New York and New Jersey Congressmen called on Jimmy Roosevelt at the White House last week to urge a moratorium on mortgage foreclosures by the Home Owners' Loan Corp., a reduction from 5 to 3½% in the interest rate, extension of the amortization period from 15 to 25 years, and other indulgences. It's vote-getting stuff in an area in which John H. Fahey, HOLC's chairman, has been hard put in the past to prevent politics from upsetting the applecart.

As the new depression bites down and political activity goes up with the primary campaigns, pressure for a let-down by HOLC is increasing. There's a barrel of bills in Congress which if enacted would demoralize the mortgage market. Chairman Fahey is holding the fort and so far has the President's backing.

The Congressmen's desire to play Santa Claus, however, does cause trouble. Collections are worst in districts whose Congressmen are doing the shouting. Delinquent borrowers are encouraged by such oratory to let payments slide, and the result is that the soft heart that flutters in the breast of politicians is doing more to bring foreclosures about than any other solitary factor.

Trend of Collections

Another depression hasn't shown up noticeably, however, in HOLC's operations. The trend still is toward currency rather than greater delinquency in accounts. The percentage of collections to billings is as follows:

1937	%
First 6 months.....	93.8
Second 6 months.....	96.5
1938	
January	88.7
February	82.2
March	97.5

Incomplete figures indicate that a falling off in April will be followed by a pick-up for the full month of May.

From June, 1933 to June, 1936, when its mortgage financing operations ceased, HOLC made 1,018,271 loans

for a total of \$3,093,459,271; approximately 650,000 are either current or less than three months in arrears. 150,000 are liquidating—not only meeting monthly bills but catching up on delinquency. A large variable number is being carried by HOLC because they are making regular payments that are insufficient to meet their obligation but indicate their prospective ability to get back on their feet. Some 30,000 have paid off their mortgage loans in full.

Some Loans End in Acquisition

Properties acquired either by foreclosure or voluntary surrender of deed exceed 85,000, for a dollar volume of \$340,984,152. Thus, the plain fact is that 8½% of HOLC's total loans have resulted in taking possession of the property, but borrowers

HOLC's Foreclosure Record

Period	Number
Prior to 1935.....	9
1935	
January 1 through June 30.....	114
July 1 through December 31.....	983
1936	
January 1 through June 30.....	4,449
July 1 through December 31.....	15,646
1937	
January	3,059
February	3,290
March	4,145
April	3,887
May	4,472
June	4,608
July	4,476
August	4,298
September	4,650
October	4,566
November	4,225
December	4,884
1938	
January	4,811
February	4,534
March	4,065
Grand Total to Mar. 31, 1938*	85,669

* This listing of properties acquired by HOLC through foreclosure and voluntary deed does not include 19,082 properties bought in by HOLC at foreclosure sale but awaiting expiration of the redemption period before title in absolute fee can be obtained.

On Any Size Refrigeration Job...

Call in Frigidaire!

SAVE MONEY, TIME, REGRET

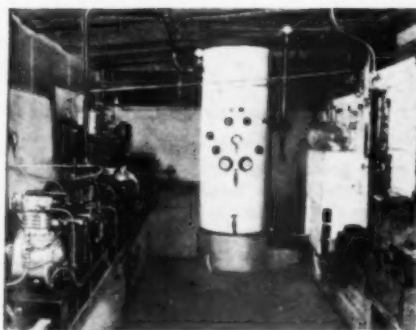
Whether for packing plant or meat market, hotel or lunch room... there is Frigidaire equipment to meet every need... for any requirement from 100 pounds to 100 tons of refrigeration.

● It's *good business* to "Call in Frigidaire" on any size refrigeration job. Whether your problem is to keep meats juicy and appetizing—keep down bacteria count in milk—cool drinking water to thirst-quenching temperatures—slow down life processes in flowers—protect furs from moth damage—or any other application of refrigeration—Frigidaire equipment will save you money.

Frigidaire gives you extra assurance that your refrigeration dollar is amply protected, will go farther—saves from 50 to 75% on operating costs alone over old-style methods, yet gives you far superior refrigeration results.

On any refrigeration job, get full facts from Frigidaire...first! Save money, time, regret. Call in your own local Frigidaire Commercial Dealer or write the nearest Frigidaire Commercial District Office listed at the right. It pays to "Call in Frigidaire!"

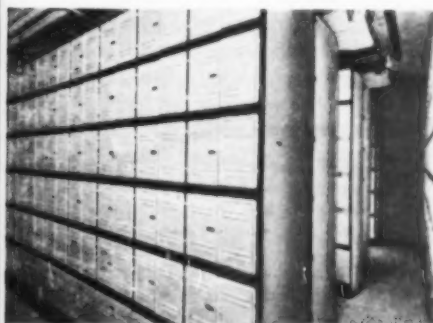
FRIGIDAIRE COMMERCIAL DIVISION, GENERAL MOTORS SALES CORPORATION
DAYTON, OHIO



Frigidaire aids Asthmatic and Tubercular Research at the Pottenger Sanatorium, Monrovia, Calif. Here, refrigeration equipment helps manufacture and preserve serums at forty degrees below zero temperatures.



15c a day buys... as little as 2c a day runs this attractive new low-cost Frigidaire water cooler. There is Frigidaire equipment for the largest or the smallest water-cooling requirement.



Frigidaire and the farmer have gone to town! When meat and vegetables are at lowest cost, they are taken to Frigidaire-equipped Locker Storage Plants. (Typical locker room illustrated above.) With a year-round variety of food in his individual locker, the farmer can now easily afford strawberries and porterhouse steaks in January.



Over 2000 Local Authorized Frigidaire Dealers

plus 51 District Offices, shown on map and listed below, make Frigidaire's expert engineering service instantly available to you.

FRIGIDAIRE BRANCH OFFICES, GENERAL MOTORS SALES CORPORATION: Atlanta, Baltimore, Birmingham, Boston, Buffalo, Chicago, Cleveland, Dayton, Denver, Des Moines, Detroit, Ft. Worth—Dallas, Kansas City, Los Angeles, Nashville, Newark, New Orleans, New York, Oakland, San Francisco, St. Louis, St. Paul. OTHER DISTRICT OFFICES: AKRON, Ohio Edison; ALBANY, Graybar Electric; BALTIMORE, Carey Sales & Service; BILLINGS, Northwestern Auto Supply; EL PASO, W. G. Wals Co.; HOUSTON, Cox & Blackburn; INDIANAPOLIS, Refrigeration Equipment Co.; JACKSON, Consumers Power; LOUISVILLE, Smith Distributing Co.; MEMPHIS, McGregors, Inc.; MIAMI, Domestic Refrigeration Co.; NEW CASTLE, Penn. Power Co.; NORFOLK, R. F. Trant, Inc.; OKLAHOMA CITY, W. C. Dance, Inc.; OMAHA, Major Appliance Co.; PEORIA, Central Ill. Light; PHILADELPHIA, J. J. Peacock, Inc.; PITTSBURGH, Electric Products Corp.; PORTLAND, Sunset Electric Co.; ROANOKE, H. C. Baker Co.; ROCHESTER, Chapin-Owen Co.; SAN ANTONIO, Straus-Frank Co.; SALT LAKE CITY, W. H. Bink Co.; SEATTLE, Sunset Electric Co.; SIOUX CITY, D. K. Baxter Co.; SPOKANE, Jensen-Byrd Co.; SYRACUSE, Onondaga Auto Supply Co.; TAMPA, Byars-Forgy Refriger. Co.; WICHITA, S. A. Long Co.

had to show at the outset that they were the worst possible risks in order to qualify for a loan. HOLC wouldn't take them if they could get anybody else to finance their mortgages.

In addition to properties already acquired, 19,082 have been bought in at foreclosure sale but await expiration of the redemption period before title in absolute fee can be obtained.

How Private Lending Stands

An HOLC survey of the private lending situation in 82 cities representing 27% of the country's urban population reveals that, as of December 31, 1936 (the last date for which complete figures are available), the ratio of foreclosed homes to mortgage loans held by private institutions is 24%. They held 853,985 residential mortgages, totaling \$2,573,152,000, and owned 170,017 properties valued at \$760,312,000. During 1935 and 1936, they sold 42,720 acquired properties for \$165,337,000. Because HOLC's mortgages are now two to five years old, it was necessary, for a fair comparison, to exclude mortgages made by private lenders during the last two years, as there hasn't been time for any considerable number to go to

foreclosure. It's fair to assume that many private lending institutions improved their situation since December 31, 1936, the date of the survey, but HOLC also has taken its biggest bite of foreclosures. The peak occurred in July, August, and September, 1936, although this doesn't show up in the statistics for property acquisition in the accompanying table (see page 22) until January, 1937.

A backlog of delinquencies had accumulated in the three-year lending period before HOLC's loan service was well organized. By the time the corporation had rescued a million home owners from distress and restored a semblance of stability to the home real estate market, the records pretty well showed who was good and who wasn't, and the corporation then set about sorting the wheat from the chaff.

Advantage of Policy Recognized

HOLC's firm policy in the face of bitter criticism that it was hardboiled and heartless has since been recognized as the step which prevented the whole system from rapidly sliding downhill.

HOLC is hopeful regarding the future, as its experience indicates that

sour loans flop back in the next three years. By that time the second borrower has sufficient equity in the property to do his utmost to keep it. Foreclosures have, as a matter of fact, fallen far below HOLC's own forecast when in February, 1937, Chairman Fahey told the House Appropriations Committee that foreclosures might reach 160,000 by July, 1938. Foreclosure is resorted to only after the corporation has exhausted every means of saving the property to the home owner.

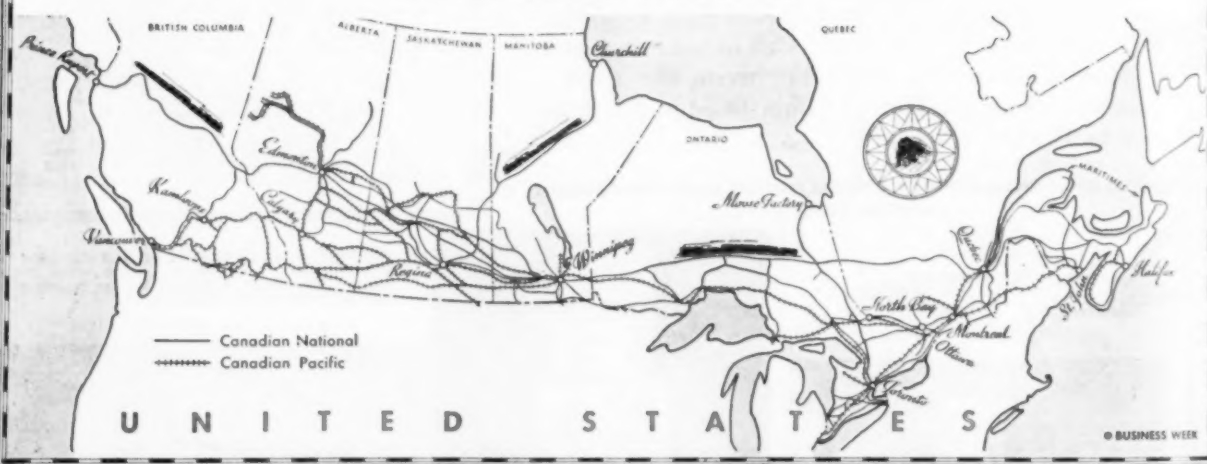
Long Delinquency before Action

Statistics indicate that, on the average, foreclosure is instituted only after the borrower is delinquent on both principal and interest for 20 months, with taxes in arrears between two and three years. This means that the majority of such delinquents haven't paid anything for four years, as most of them were more than two years behind and threatened with foreclosure at the time HOLC refinanced them.

Each borrower is first given a chance to work out his own salvation. He is presented only with the regular monthly bills; but when he becomes three months delinquent his file

CANADA'S TWO RAIL SYSTEMS—WILL THEY MERGE TO CUT COSTS?

Officials of both the Canadian Pacific (privately-owned) and the Canadian National (government-owned) admit that coordination of their parallel services would make possible big economies, but failure of five years of voluntary efforts proves that only enforced rationalization will bring this about



WATCH Canada's railroads. Canadian National, the government system (which has more mileage than any United States system), has been piling up an annual deficit of about \$40,000,000. Canadian Pacific, privately owned and operated, has its troubles too, and blames them in large part on the competition from the publicly subsidized competitor.

After numerous ineffective government investigations of the whole situation, a Senate committee is now starting a fresh probe. Inevitably it will consider unification of the two systems—the main lines of which are mapped above. Canadian business is bringing heavy pressure on Ottawa for a real assault on the problem of railway losses. Trucking interests, claiming they employ 260,000 men in contrast with 130,000 on the railroads, are asking that all L.C.I. business be given to them.

Five years ago, a government commission recommended coor-

dination of services on the two big systems—which operate parallel lines in many parts of the Dominion. Annual savings were estimated at \$10,000,000 as a minimum, up to \$35,000,000. Refusal of the two lines to cooperate because of the fear that the other would gain the upper hand virtually reduced cooperative efforts to the pooling of trains on three runs in the East, and held economies to less than \$2,000,000. At the end of 1937, Canadian National's cumulative deficit, not including depreciation charges or interest on government loans, amounted to \$545,000,000.

There is little thought of a physical merger of the lines now. Politically this seems impossible in one bold move. But an old plan for joint management under government control is considered to be a distinct possibility. Ottawa is again giving the matter serious consideration.

is placed in "personal service," which means that until he may become hopelessly delinquent he is given every possible cooperation through personal contact. If unemployed, he is assisted in getting a job. If eligible for relief, he is aided in obtaining a shelter allowance. If his house is beyond his income, he is advised to rent out rooms or sell, in which case HOLC tries to save his equity. In 46% of all foreclosure cases, the corporation has no alternative; but every avenue to redemption is left open. A breakdown of the records show that the reasons behind the corporation's action in instituting foreclosures are:

Properties abandoned or virtually so	18.5%
Refusal of owners to pay despite their ability to do so	21.5%
Death of owners and refusal of heirs to assume their obligations	5.5%
Legal complications3%
All other causes, including inability to pay	54.2%

HOLC has issued \$2,688,215,850 in bonds for refinancing mortgages. By negotiations with the former mortgage holders, it has reduced the claims on the properties by \$200,000,000.

From the start of its refinancing operation, HOLC has reconditioned some 500,000 homes at a cost of \$100,000,000, and all properties acquired are further refurbished before offered for rental or sale. Properties sold to March 31 number 9,246, and properties on hand 76,790. Most of them are single dwellings, but 2-4 family houses bring the total owned units up to 98,921, of which 67,579 are available to yield income. Included in the balance are those awaiting expiration of the redemption period or being held for repairs or for sale.

No Dumping by HOLC

In rental and sale, HOLC's price scale is right in line with competition in the local real estate market. The corporation doesn't dump any homes which it is obliged to take over. Appraisals are made in consultation with the corporation's brokers in the community, and no properties are offered for sale for less than fair value nor a greater number offered than the particular market can absorb. HOLC offers no bargains, no special discounts, but disposes of its properties at market prices regardless of cost. Its management brokers are paid an overwriting commission of 2%, and accredited brokers 5% on sales. HOLC doesn't expect to come out of its real estate business at a profit. It has some edge in the market by its ability to sell on more favorable terms. The down payment may be as low as 10% on very good credit risks. Net interest rate is 5% on the diminishing balance over a 15-year amortization period.

Bottle Handicap

States force higher beer bottle deposit. Glass companies suspect can companies.

CHARGES that can interests are inducing state authorities to force up the deposit rate for beer bottles, thereby giving the edge to canned beer, are being made in the glass industry. Hostilities have waxed warmer since April 25 when the New York State Liquor Authority raised the deposit required of consumers from 1¢ to 2¢ per bottle.

From where the bottle people sit, it looks like a planned campaign. Earlier this year, boosts in deposits for bottles were ordered by state agencies in Massachusetts, Pennsylvania, Maine, Michigan, Indiana. It is said that similar orders are being sought in New Jersey and other states.

Glass manufacturers aren't making specific allegations against any can companies. But they are going over the situation to determine the extent of damage to their product and to plan counter measures, if any. While

admitting demurely that the new regulations ought to help their sales, can manufacturers deny with vehemence that they had anything to do with the increase of bottle deposits.

Last year about this time brewers in many parts of the country cut deposit requirements from 2¢ per bottle to 1¢ (BW—May 29, 37, p. 26). The first upsets to the established 2¢ deposit occurred in the South. They spread north and west until in many territories brewers were accepting 1¢ per bottle surety.

How Trouble Developed

In New York City the trouble started with the steinies (the shortly beer bottle). These were sold on a no-deposit basis as a throw-away to compete with the can. One brewer began buying discarded empties at 1¢, a little more than half their cost new. A rival then put a 1¢ deposit requirement on steinies, also cut the deposit on regular bottles from the traditional 2¢ to 1¢. Competition then forced all New York brewers to the flat 1¢ for both types.

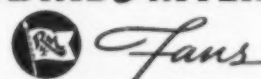
Now by fiat of the State Liquor Au-



Change
**DEAD AIR
INTO LIVE AIR**

Lifeless air means lifeless customers, lifeless employees. But now that is changing. A new type of fan—a small cyclone without the roar—enables any business to beat the heat and the humidity! . . . R & M Air Circulators—don't think of them as fans—move as high as 10,000 cubic feet of air per minute. They keep *all* the air in constant motion, in large interiors. . . . For the cost of an ordinary radio, enjoy *circulating* air in your office, restaurant, store, or factory—with R & M Air Circulators—20, 24 and 30 inch sizes, for ceiling, wall, counter, or floor, at \$44 and up. The best fan people sell them. . . . *Robbins & Myers, Springfield, Ohio; Brantford, Ontario.*

ROBBINS & MYERS



ALL TYPES • ALL SIZES

Send all Office Papers **RUSH . . .**
by **AIR-MAIL*** within Your Own Plant!



1. to the Floor
Above . . .
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RUSH important orders or papers *inside your plant* the same way you would rush a letter out to the field—by air mail. These handy Lamson dispatch tubes will whisk mail, telegrams, shipping orders—or even complete letter files—to any, or every, department or desk. Ten flights up, across the street, or a mile away, it's all the same to Lamson tubes.



The cost of a Lamson Pneumatic Dispatch system is surprisingly low—whether you start with one short tube, or equip an entire plant.

No matter how big or small your organization may be, there's a Lamson tube system to fit your needs. Mail the coupon for "Wings of Business." Let this profusely illustrated booklet show you the wide possibilities in this indoors air mail for modern offices and plants.

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"AIR MAIL" within your own plant!

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Syracuse, N. Y.

Without obligation, please send me
Free copy of "Wings of Business."

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Company
City State

thority, the New York deposit is boosted back to the old figure. The board's excuse is that it intends to put an end to abuses caused by the difference in cost of the bottles and the 1¢ deposit rate.

It claimed that under the 1¢ rule, brewers received from retailers a 40¢ deposit for a case (and 24 bottles) which cost around 75¢; further, that second-hand dealers bought the cases from retailers for 45 to 50¢, there, after selling them back to the brewers for perhaps 70¢.

N. Y. Brewers against Move

Just why the State Liquor Authority should beat its breast over this situation does not appear in the record. New York brewers are generally opposed to the rescue efforts, claiming that they give an advantage to out-state canned beer in the huge metropolitan market. As a result of doubling the deposit, many retailers are requiring consumers to sign slips to prevent turning in 1¢-deposit bottles at the new 2¢ rate. This is an irritant to the public, and therefore a detriment to beer in bottles.

Reduced to figures, the competitive situation becomes as plain as the nose on Jimmy Durante's face. Beer usually sells in New York for 10¢ a can, straight. Bottled beer ordinarily sells at 3 for 25¢ with the deposit added. Thus, with a 1¢ deposit, three bottles came to 28¢ compared to 30¢ for three cans. But with the 2¢ deposit the status is reversed; 31¢ for three bottles, 30¢ for three cans.

The can manufacturers point out that bottled beer still undersells canned beer if the bottles are returned and the deposit recovered. But they claim the convenience of the cast-away can, its lightness, ease in storage and handling will sustain the demand for their container even if the price differential is wiped out.

Comparative Sales Figures

Glass manufacturers, on the other hand, contend that the beer can has about reached its peak. Conditions and deposits vary in different markets, hence it is impossible to judge what effect the lowering of deposit requirements had on total bottled beer demand during the past year. But figures suggest that bottled beer sales bulged considerably while canned beer sales gained little if any. Here is an estimate prepared by the Glass Container Association:

SALES OF BEER, BY BARRELS			
	1936	1937	% Gain or Loss
Total sales	53,000,000	55,645,000	+4.97
Draught beer . . .	32,791,000	31,347,000	-4.71
Packaged beer . . .	20,218,000	24,398,000	+20.67
Canned	2,314,000	2,314,000	0.0
Bottled	17,903,000	22,083,000	+23.35

On the basis of these figures it ap-

appears that canned beer sales, compared to total of packaged beer, declined over 17% during the year, while bottled beer's percentage of this total increased over 2%.

Most striking of all is the evident effect on sales of intense promotion by both can and bottle companies. Your old schooner hoister will tell you that draught beer is far superior to the pasteurized packaged brew. In spite of this widely held conviction, rival exploitation of packaged beer on the part of the can and bottle interests has steadily cut into the sale of draught beer and added to the demand for beer in containers.

Talk "Lawyer" Peace

Bar association and mutual insurance men discuss ways to end their dispute.

A FIRST step toward effecting a working understanding of what does and what does not constitute the illegal practice of law by business men was taken in Washington last week when committees representing the American Mutual Alliance and the American Bar Association met in a seven-hour conference.

The conference resulted from numerous legal attacks leveled against business men by lawyer groups, chief of which was the Missouri case (*BW—Sept 14 '37, p.27; Jan. 22 '38, p.34*), in which the Circuit Court at Columbia, Mo., dismissed the declaratory judgment suit of six mutual insurance companies and issued an injunction restraining the companies and their non-lawyer employees from performing six varieties of acts in which legal knowledge and the employment of legal judgment are involved.

Issues Discussed Amicably

The Bar Association committee, headed by Stanley B. Houck, of Minneapolis, was without authority to bind the association. But it discussed the subject in friendly tone, and promised the insurance committee, headed by A. B. Kelly, of the home office of the American Mutual Alliance in Chicago, that it would go fully into the problems involved prior to the convention of the Bar Association at Cleveland in July, when it will make its report.

The probable result of the conference is the withholding of all further legal attacks for the time being. In the meantime, the six mutual insurance companies that are involved in the Missouri case plan next week to file a bill of exceptions to the Missouri decision, thus taking the last step necessary to appeal to the Missouri Supreme Court.

Sound Research plus Personal Attention

The ability to create wealth and the ability to conserve it may not go together. ¶ Well realizing this, City Bank Farmers Trust Company maintains a Custodian Management service. ¶ Among its varied facilities is a department of research and analysis, which gathers and correlates information bearing on investments. This department numbers specialists on railroad securities . . . on industrials . . . on municipals and governments . . . on utilities. ¶ And, through the personal attention of experienced officers, the findings of this department are focussed upon the individual problems of your account. These same officers strive to carry out effectively the investment plan agreed upon in confidential consultation with you.

City Bank Farmers
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A Great Step Forward
in Safer Blasting

ATLAS MANASITE BLASTING CAPS

Safety First, tremendously important in all industry but vital to the user of explosives, takes a great step forward with the introduction of Atlas Manasite Detonators.

The Atlas Manasite Detonator, giving full efficiency in detonating power, but substantially less sensitive to accidental mishandling, is just one more indication of Industry's continuous contribution to the worker's protection.

Atlas Manasite is an exclusive Atlas development—the result of methods evolved in Atlas Research Laboratories.

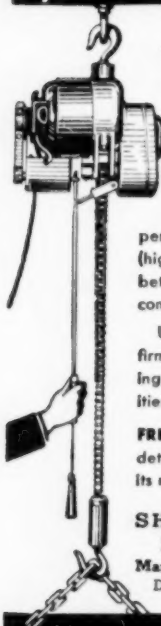
ATLAS

POWDER COMPANY

Wilmington Delaware



new LOW COST ELECTRIC HOIST *Operates from Light Socket!*



THIS new portable "Budgit" electric hoist makes electric lifting available any place. Works on domestic light circuit, does not need power line. Hang up, plug in light socket, USE! Capacity, 500 lbs. Lifts capacity load 17 ft. per minute, up to 10 ft. from floor (higher lifts available). Distance between hooks, only 16 in. Weight, complete, 58 lbs. \$119.00 f.o.b.

Unqualifiedly guaranteed by a firm making only high quality lifting equipment, all types, capacities, purposes.

FREE: Send for bulletin with many details about the "Budgit" Hoist, its many advantages and savings.

**SHAW-BOX CRANE &
HOIST DIVISION**
Manning, Maxwell & Moore, Inc.
Dept. "C"—Muskegon, Mich.

THE new SHAW-BOX BUDGIT HOIST

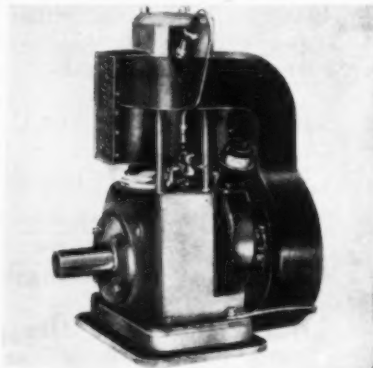
New Products—New processes, new designs; new applications of old materials and ideas.

PRINCIPLES underlying the mechanical recording of sound on film will shortly be applied to an office dictating machine by Miles Reproducer Co., Inc., 812 Broadway, New York. A sapphire stylus cuts the dictator's voice on a



strip of 16-mm. film. When the end of the film is reached, it reverses automatically, permitting 28 soundtracks to be recorded on one width. Thus one 100-ft. length of film will hold over 80 minutes of dictation. Machine which operates both as recorder and reproducer, will be known as Filmograph Model D.

NEWEST full diesel engine to enter the market is the air-cooled Little Giant Frisco Standard, manufactured by Standard Gas Engine Co., 1001 81st

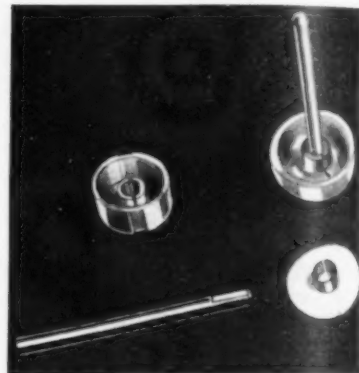


Ave., Oakland, Calif. Single cylinder has 3½-in. bore and 4½-in. stroke, giving 5½ hp. at 1,200 r.p.m., and 7½ hp. at 1,500. Over-all height measures 29 in.; weight is 370 lb.

On camping and hunting expeditions, it is frequently difficult to find pure drinking water. Katadyn Process Corp., 45 W. 45th St., New York, steps into the breach with the Sands San-Aqua Filter-Pump Unit which weighs but 7½ lb. A diatomaceous clay candle filters out all dirt; Katadyn-processed Silver Sand kills all bacteria.

THE one thing that distinguishes the brush and the tank methods of electroplating is the portability of the former. It is simply no trick at all to renew plated surfaces anywhere with a brush equipped with suitable anodes and plating solutions. Portable Plating & Equipment Co., 1000 S. Michigan Ave., Chicago, is bringing out a smaller, more compact unit, called the Super Plater, for the home and small commercial establishment.

A SIMPLE Speed Clip developed by the Speed Nut Division of Tinnerman Stove & Range Co., 2047 Fulton Rd., Cleveland, solves a mean problem of assembling plastic knobs and buttons to shafts, as in radios, automobile instruments, etc. Knob is molded with a



slotted D-shaped hole instead of a metallic insert; shaft is formed or machined with a male D. A special device snaps the Speed Clip over the hub of the knob, bonding knob to shaft.

ENLARGEMENTS of 35-mm. camera shots can be made at the speed of contact prints in the new Argus Speed Printer of International Research Corp., Ann Arbor, Mich. No focusing; no trimming. Simply lay ready-cut 2½ x 4½-in. sensitized paper on the top glass; press down the printer handle for a few seconds and develop.

STRONG protection against the bootlegging of lubricating oil will be afforded by the new Midcon fiber oil container, now being introduced to the oil trade by Midland Container Corp., 110 E. 42nd St., New York. Instead of being spirally wound, the 1-qt. container is manufactured from a continuous strip of paper, making a laminated tube of high strength and impermeability. Once the metal top or bottom has been perforated for emptying into a car's crank case, re-use is believed impossible.



*"Here's My Report
on that 3-profit opportunity"*

"It certainly turned out to be good business to make our business safe.

"When we first placed our workmen's compensation insurance with American Mutual, I didn't expect much when they said that one of the three profits we might expect was a *production* profit. We had mechanical guards around the dangerous spots, and figured that our safety practice was already efficient.

"Yet, without turning our plant upside down or continually bothering us, the American Mutual safety engineers have succeeded in building safety into our *methods* as well as our *machines*. We've had fewer accidents . . . we've had fewer interruptions to work . . . we've been deprived less often of our skilled employees.

"I, for one, am convinced — that where safety *plugs up* the accident leaks, *production* cost must naturally be lower."

American Mutual gives a three-profit opportunity.

Our safety engineering service helps to reduce accident frequency, eliminate the many indirect and uninsurable losses from accidents, and in many cases, lower premium costs, as the result of improved accident experience.

Our cash dividend has always been 20% or more. Since organization in 1887, American Mutual has saved for all policyholders at least one-fifth of the insurance cost each year — a grand total of \$58,000,000 in savings for American industry.

A third profit comes from the skill of experienced employees. When one of them is hurt, our industrially-trained

doctors aim, not only to return him to health, but to restore his job-holding ability, saving the employer his valued experience.

American Mutual, America's first liability insurance company, has branches in 55 of the country's principal industrial centers. In addition to Workmen's Compensation, it offers opportunity for savings on Automobile, Fidelity Bond, and practically all other lines of liability insurance.

*Admitted Assets: \$34,866,615.84 Liabilities: \$29,443,222.08
Surplus to Policyholders: \$5,423,393.76 As of Dec. 31, 1937*



Savings even greater than 20% have been regularly made on Fire Insurance, written by our associate, Allied American Mutual Fire Insurance Co.

American Mutual
gives a 3-profit opportunity

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY

"How Twelve Companies Saved More Than A Million Dollars" is a free booklet describing this lowest net cost insurance. Address 142 Berkeley St., Dept. 33, Boston, Mass.



AUTOS HAVE ME ON THE RUN

I DON'T MEAN that I'm afraid of 'em. No, I'm kept busy delivering 'em. You see, the people who make automobiles like to ship their products in my particular type of box car. I'm equipped with a mechanical auto loader—a sort of folding cradle that stows away the autos securely for their trip...And maybe I don't make some trips! In the last few weeks I took a load of autos to Tampa, Florida, and on my way back my loading device was folded up so I could take on lumber for Huntington. Then a load of steel products from Ashland to Detroit and then on to Lansing for autos again. Took them down to Newport News for export. Picked up, on the way back, a load of printing paper for Cincinnati. There, more autos, and I was off to Augusta, Georgia. Came back to Columbus with a load of cotton...You see, I was built to afford special handling for automobiles, but when my mechanical auto loader is folded away, I can carry any sort of high class freight that travels on fast, scheduled trains. Versatile, that's me!

We'll grant, C&O No. 6453, that you're a versatile car. But this whole railroad is noted for versatility—for the flexibility of its entire service...its ability to handle unusual movements on short notice...and to handle all shipments always with intelligent care on regular, dependable schedule.

Chesapeake and Ohio representatives, located in all principal cities, will show you how this service meets your shipping needs.

CHESAPEAKE and Ohio LINES
CONTROLLED PERFORMANCE

Chains' 8-Cent Loaf

A. & P., Kroger, and others cut price of bread, worrying the baking industry.

CUSHMAN bakeries, operated by Cushman's Sons, Inc., subsidiary of the Purity Bakeries Corp., click in New York. But the 50 Cushman bakeries in Chicago didn't click, and, with the exception of 11 stores taken over by other companies and by Cushman employees, they have recently been closed.

The reasons for the success of the Cushman bakeries in New York and their failure in Chicago seem to lie in geographical differences between the two cities. New York is compact, and bulges skyward. Chicago sprawls, and isolates its stores downtown or on neighborhood business streets that may be many blocks removed from the prospective customer's apartment.

Route System Fails to Click

Cushman was aware of the geographical difference, and set up 40 bread and bakery goods routes—like the milk man's—on the North Side and in North Side suburbs. But neither the stores nor the routes clicked; and the stores, scattered from the suburb of Wilmette on the North to 95th Street on the South, have gone the way of all flesh. The Cushman store in the busy Randolph Street suburban station of the Illinois Central Railroad is one of the 11 stores still being operated. It was sold to another company.

Closing of the Cushman bakeries in Chicago does not reflect any unhealthy condition in the baking industry, which is withstanding the recession far better than most industries. Bread sales, which reach the low point in their annual curve about Jan. 1 and mount to an annual high from the middle of July to about Sept. 1, are currently from 1 to 2% lower than at this time last year. Big worry of the baking industry is not the recession but renewed price-cutting by the corporate grocery chains.

Last week the Great Atlantic & Pacific Tea Co., the Kroger Grocery & Baking Co., and other leading grocery chains began selling their own breads at 8¢ for a standard 1½ lb. loaf.

Bakers Carry On Promotion

Institutional promotion is being carried on by the American Institute of Baking. In addition to publication and distribution of booklets and folders, the institute has been using promotional advertising in the publications of the American Medical Association. If the chains' 8¢ loaf hits the big bakers hard enough, this promotion will have to stop, since no company has huge surpluses for purely industrial promotion.

Biggest manufacturer and wholesaler

BUSINESS

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of bread is Continental, followed by General, Ward, Purity, Interstate, and Gordon. Important sectional companies are American and Columbia in the South, and Hathaway in New England. All these companies are large users of newspaper and radio advertising; all play their brand names almost as hard as cigarette makers play theirs.

Radio Program Develops Sales

Compared with Continental and General, the Gordon Baking Co., which operates four bakeries in important industrial and commercial centers (one in New York, one in Chicago, and two in Detroit), is a small company. But Gordon's development of consumer demand for its Silvercup bread through its Lone Ranger program over the Mutual Broadcasting System has been highly successful. The program, though aimed chiefly at school children, has interested many adults. For a time, before the crest of interest in the program seemed to pass, demand for Silvercup became so great in Chicago that grocers hid it to move other brands with which they were too heavily stocked.

With renewed chain-store price-cutting less than a week old, the big baking companies are following a policy of watchful waiting. But their answer to the chains, if one must be made, probably will be increased advertising of brand names.

Furniture Sales Off

Run 14% behind last year, but retailers expect to equal their 1936 dollar volume.

RETAIL sales of furniture, from the beginning of the year through last week, were running about 14% below last year, with industrial communities lagging behind agricultural areas. But reports to the National Retail Furniture Association showed that those stores which have done an aggressive job of promotion through newspaper advertising, attractive window displays, and in some instances through use of radio, were actually exceeding their dollar volume of last year.

Sales of furniture and household appliances last year amounted to \$1,750,000,000, an increase of 8.5% over the \$1,613,000,000 sales of 1936, and equal to 64% of the \$2,754,720,000 business done in 1929. The retailers believe that this year they will equal their 1936 sales, even though most of them have gotten off to a bad start.

A check last week of attendance records at the May furniture and home furnishings show in Chicago a fortnight ago showed that 2,463 buyers were registered, against 2,711 a year ago, and 1,998 the year before. Buying

Our goods will be paid for

Copyright 1938, American Credit Indemnity Co. of N.Y.

KEEP A *String* ON ACCOUNTS RECEIVABLE

Your merchandise can be scattered all over the map and yet your receivables will be as safe as cash in the bank! That's the enviable position of Manufacturers and Jobbers whose accounts are protected by American Credit Insurance.

Astute executives keep under their control the enormous capital invested in receivables — the source of potential profits, of dividends to stockholders, of wages to workers.

American Credit Insurance

takes over your Credit Manager's responsibility where it necessarily leaves off — with the shipment of goods. It guarantees a fund on which to draw when defaulting customers cause unexpected credit losses.

Insolvencies, reorganizations, and delinquencies have the same status under the terms of most "American" policies. You are reimbursed promptly if customers can't pay or won't pay. Capital is kept at work.

"American" protection is available on all accounts—or on Special Groups, or Non-rated Debtors. Any American Representative will give you full information.

AMERICAN CREDIT INDEMNITY CO.

of New York

J. F. McFadden, President

Chamber of Commerce Building

St. Louis, Mo.

Offices in all principal cities of United States and Canada

A REAL MONEY SAVER IN BOTH HEATING AND PROCESS WORK

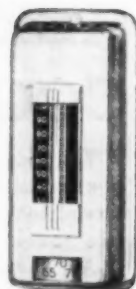


JOHNSON

Automatic
Temperature
and Air
Conditioning

CONTROL

Adequate temperature control prevents overheating and over-cooling. It is not unusual to find that savings of twenty to forty per cent are made through the use of automatic temperature regulation equipment, properly applied. Today's high cost of fuel and labor demands that greater cost reductions be made in the operation of commercial properties, factories, schools, institutions and public buildings.



Johnson control apparatus, applied properly by Johnson's own installation men, assures the greatest economy in fuel consumption, improves both the efficiency of workers and the quality of manufactured products. Johnson is a nation-wide organization, operating its own branches throughout the United States and Canada . . . planning, manufacturing, installing, and servicing the entire control system. Whatever the temperature control problem, Johnson is prepared to supply the correct answer. Ask us to help solve *your* problem.

JOHNSON SERVICE COMPANY

MILWAUKEE, WIS., AND DIRECT BRANCH OFFICES IN PRINCIPAL CITIES

for the most part was conservative. But one southern manufacturer, with an attractive line of new furniture, refused to accept orders for delivery after July 15 and left Chicago with more and larger orders than he would have gotten otherwise.

One effect of the recession has been to cut the production of the cheaper grades of modern furniture. Moreover, modern furniture, as consumers have known it within recent years, is practically out. In its place retailers will push Swedish modern, a light-colored, sometimes yellowish furniture, with softer lines than the old modern. Swedish modern, though it is taking hold well in the East, will require much promotion in the Middle West, Far West, and South, the retailers believe.

Chain Store Buying

More big firms send buyers to New York, advertise for suppliers, and get bargains.

It's a buyers' market these days, and the chains are taking full advantage of it. Last month three big chains, United Cigar-Whelan Stores Corp., the Read Drug Co. of Baltimore, and Charles Stores, in the South, sent buyers to New York City and announced their arrival in newspaper ads which called on all suppliers willing to "cut profits with us" to come around and show their bargain wares (BW—Apr 30/32, p17).

The buyers were swamped with suppliers, and they managed to come off with such smacking good bargains that other chains promptly adopted their methods. Last week the Cunningham Drug Co. of Detroit and the Thrifty Drug Stores of Los Angeles turned up in New York with \$750,000 to spend on promotion merchandise. Goldblatt Bros. of Chicago, planning a "Nathan Goldblatt Week" next month, were ready to spend \$2,000,000. The Outlet Co. of Providence had \$500,000.

Buyers Turn Up Bargains

In every case the chains' buyers uncovered suppliers who were new to them, and they managed to get many goods at prices even lower, in some cases, than they were at the depths of the depression in 1932. Whelan, for example, in its \$5,000,000 buying jag last month, got 90¢ lamps for 65¢, mechanical pencils for \$5 a gross instead of \$7.50, kitchen cutlery for \$1 instead of \$1.75, bargains in everything from abdominal supporters to boudoir lamps.

Consumer response to these "bring-back - recovery - by - cutting - profits - all - along - the - line" drives hasn't been tested to any extent except at Hearn's Department Store, which got the ball rolling with its gaudy Consumer's Drive

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early this spring. The Hearn campaign has been eminently successful and this week another big New York department store, Wanamaker's, launched one similar to it. Most consumer campaigns are set for June. If they're as successful as the manufacturer campaigns, the chains will be able to talk about the recession in the past tense.

Roofing Sales Soar

But spurt in March shipments of asphalt roofing doesn't mean building boom is here.

SHIPMENTS of prepared asphalt roofing for March skyrocketed in a manner which suggests all sorts of exciting possibilities. But a little careful spade work uncovers facts to disprove any suspicion that this industry has discovered a secret building boom which it is keeping under cover.

When business hit the bumps last fall dealers in prepared roofing allowed their inventories to run down to the bare floors. They ordered only as customers bought. Came the spring, when house owners make repairs of flaws disclosed by the winter weather. Demand took its seasonal bounce in January and February but instead of the usual sharp decline through March, sales continued upward at even more acute angle.

One important reason was announcement of a small price rise. Dealers, who had followed the recognized behaviorism of the species and refused to buy on a falling market, hopped forward with orders when the increase was announced. Sales booked before the deadline were filled at the old prices.

Prepared Roofing Cheaper

Another important factor in the showing was the comparative price of various roofing materials. Prepared roofing is cheaper than most of its competition. It is used principally for dwellings, garages, chicken houses, sheds. With a prospect of depressed earnings, the wary citizen makes his repairs from the cheapest materials available. That happened this spring.

Manufacturers have announced another price rise to take effect June 30. It has helped sustain orders, should boost them further as the time limit approaches. But as one executive said, "Announcing a price rise and making it stick are two different things."

Anyhow, those U. S. Department of Commerce roofing figures look most luxuriant. Shipments (of asphalt smooth roll, grit roll, shingles) for last March were 4,520,000 squares. This was 97.7% over February and 93.2% ahead of March, 1937. But the first quarter total (8,639,000 squares) was only a little above 1937.

No business stands alone. Every business has mutual interests with others — a fact which is strikingly illustrated in the purchasing activities of Western Electric.

George H. Bloom
PRESIDENT

13,000 Sources of Supply

WESTERN ELECTRIC as manufacturer and purchaser for the Bell System buys large quantities of materials of all kinds — more than \$90,000,000 worth in 1937.

The Company bought these materials from more than 13,000 different sources of supply, thus benefiting many businesses, large and small, and creating employment for thousands of people.

In its purchasing policy, Western Electric recognizes a dual responsibility —

1. To buy at prices which are fair to the Bell System and hence to you as a telephone user.
2. To buy at prices which are fair to the seller, so that he can continue as a dependable source of supply.

This policy is typical of those under which the Bell System operates.

Western Electric

BELL SYSTEM SERVICE

IS BASED ON

WESTERN ELECTRIC QUALITY

Don't Pay Tribute

TO VANDALS
TRESPASSERS
AND THIEVES

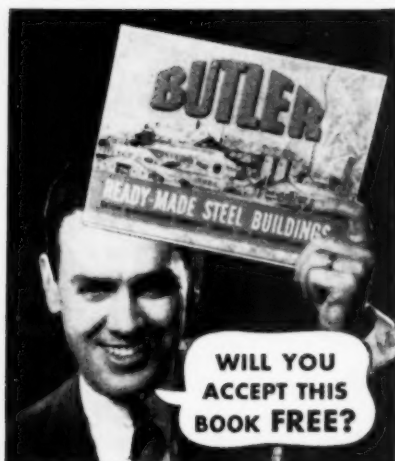


Every year industry pays a heavy penalty because of inadequate protection. Unfenced property encourages vandalism, trespass, invasion and loss. Insure yourself against this yearly tribute by surrounding your property with a Stewart Non-Climbable Chain Link Wire Fence... an unfailling barrier of steel that assures continuous, dependable protection. Investigate the outstanding superiorities of Stewart Industrial Fence. Send for catalog showing typical installations and exclusive features.

Sales and Erection Service in all principal cities.

The STEWART
IRON WORKS CO., INC.
516 Stewart Block Cincinnati, Ohio

Stewart
FENCES IRON and WIRE



Yours for the asking—this new illustrated building book shows how Butler "tailor-measures" ready-made steel units to fit the needs of more than a score of industrial activities... at lower initial cost, lower erection cost, and lower maintenance cost than any other type of permanent, fire-safe structure!

See how easily you, too, can save 30% to 60% on your new building. Ask your secretary to send for your FREE copy of this valuable building book today!

BUTLER MANUFACTURING COMPANY
1250 Eastern Ave., Kansas City, Mo. 950 Sixth Ave. S.E., Minneapolis, Minn.

BUTLER
READY-MADE STEEL BUILDINGS

Raking Radio Over the Coals

While the House and the Senate debate proposals for investigating the industry and establishing a government station, FCC schedules hearings on new rules.

THE radio industry has been threatened with investigation and regulation by Washington for a long time. This week the threats were turning into promises, and they were coming from all directions.

In Washington this week hearings began before the House Naval Affairs Committee on the Celler Bill, which proposes to set up a government radio station in Washington, to send programs to Latin America in an attempt to combat the flood of propaganda which pours into that territory from radio stations in Italy and Germany (BW—Apr 23 '38, p. 42).

At the same time hearings were under way before a Senate subcommittee on the proposed Chavez-McAdoo bill, which advocates a similar government station, to be located in San Diego. (There was also a bill, proposed by Florida's Rep. Green, which would put the government station in Jackson-

ville, and another, proposed by Rep. Maverick of Texas, which would locate it in the Canal Zone.)

For several months now President Roosevelt has had an Interdepartmental Committee studying the radio situation in South America, but as hearings got under way this week Chairman McNinch of the Federal Communications Commission issued a statement that since the President wished to study the matter further, the report of the Interdepartmental Committee (presumably in favor of a government station) would be postponed until fall. When that word went out, House hearings on the Celler bill promptly folded up, although the Senate Interstate Commerce Committee announced its intention of continuing its investigation. Under any circumstances it became apparent that no bill would pass this session.

Broadcasters, however, are not lulled

MARKETING ANGLES

Onto filling stations using lucky-license-number contests to draw in the customers (BW—May 7 '38, p. 26) were headed for litigation last week. Attorney General Duffy threatened to revoke the charters of the oil companies conducting contests, and local authorities in Cleveland, Akron and Lima were starting test cases against oil company employees. But the flags were still flying over the filling stations, offering prizes all the way from \$200 to \$5,000.

For the trifling sum of \$25,000 *Time* bought out the defunct *Literary Digest* last week, thereby picking up 250,000 more subscribers, which boosts the *Time* circulation, for the present, at least, to 970,000. Though it isn't likely that *Time* will take over any of the *Literary Digest's* editorial features, these—including the poll—are currently "under consideration."

LAST February the Supreme Court upheld the New Mexico sales tax law providing for a 2% levy on gross receipts from the sale of advertising space in newspapers and magazines—no matter whether the advertisers were located outside the state, or whether the publications circulated outside the state (BW—

Mar 5 '38, p. 17). On the basis of that decision, the Comptroller of the City of New York has just ruled that the New York city gross receipts tax is to be applied to the many publications headquartered in Manhattan, regardless of where they are printed or distributed. What's more, the tax of 1/10th of 1% must be paid on all business since 1934.

THERE are about 1,000 business papers unaudited by either the Audit Bureau of Circulations or Controlled Circulation Audit, Inc. The reason: A.B.C. audits magazines with paid circulations of 50% or over. C.C.A. audits magazines with less than 30% paid circulation, leaving a "no-man's land" in between. To give advertisers, agencies, and publisher members a chance to get audited statistics on all business papers, C.C.A. is now making eligible for membership all magazines with less than 50% paid circulation.

CALIFORNIA, a haven for supermarkets, now has a super-delicatessen chain. Lucky Markets, a grocery chain, operates the delicatessen units, of which there are 14 in Metropolitan Oakland and suburban San Francisco.

Open New Markets!

A NEW MARKET can offset any decline you may have suffered in old markets. Success in a new market will not only increase your sales, but will also multiply your sources of income and thus add greater stability to your business.

Advertising can explore and develop new markets for you by exposing your product to new potential buyers and start you on the road to greater sales and security.

Ask your advertising agency whether your appropriation is adequate to accomplish this objective.



fire is a THUG!

**Arm Yourself with the fastest
known extinguishing agent**

HAVE you ever seen fire strike down a smooth-running prosperous business—and leave it gasping for life? It has happened. It will happen many times again.

Fire is a thug! It stuns production. It stops vital shipments. It cripples the morale of idle salesmen and laid-off workers. You can't afford a fire, no matter how complete your insurance coverage may be.

For your own peace of mind do this: see that every fire hazard in your plant is well guarded. If you have electrical equipment or flammable liquids, protect them the best known way—with LUX carbon-dioxide extinguishers. Lux snow-and-gas is the fastest recorded extinguishing agent. Lux snow is clean, dry, non-corrosive, and has no fumes.

You may buy Lux portable extinguishers, or, for a concentrated hazard, a Lux Fixed System. Send for "Lux Makes The Difference" which describes both methods.

Be ready for fire when it strikes.

Why not write now?

Walter Kidde & Company
625 West Street, Bloomfield, N. J.



into a false sense of security. They are prepared to fight the project tooth and nail. They make no bones about the fact that they think the government ought to stay strictly out of the broadcasting business, even if it does (and they don't believe that it will) broadcast only to South America.

Meanwhile there were more bodies rising up to plague the broadcasters. The Senate Audit and Control Committee last week approved the resolution of Maine's Sen. White, chairman of the American delegation to the Cairo radio conference, calling for an investigation of the FCC and the industry at large (BW—May 14, p. 10).

Accuses Ex-Senators

The House too was holding hearings on a batch of resolutions calling for an investigation of monopoly in the broadcasting business, and the hearings got off to a flying start when Rep. McFarlane of Texas rose up and charged two nameless ex-Senators with accepting money while in office in 1932 to help protect a "radio monopoly."

The FCC was going ahead with its plans for the June 6 hearing. Originally set to cover only the superpower issue, this hearing had been broadened out to let the FCC lay all its proposals for new regulations before the industry.

The proposal which most interests broadcasters, aside from the all-important issue of frequency reallocation, is that which seeks to tighten up the requirements for new licensees, compelling them to promise to broadcast "such cultural programs as may be required." Also of special interest is the proposal requiring operators of the small local stations to live in the town where they operate their stations.

Reallocation Problem

Although there will be no reallocation of station frequencies unless the North American radio treaty, negotiated last year in Havana, should be passed by the Senate before the hearings begin—which is not particularly likely, since the treaty was sent to the Senate only last week by President Roosevelt—there is a general feeling that the three-year-old squabble over the rearrangement of the whole broadcasting band will be finally resolved along pretty definite lines.

As the rules stand now, the FCC limits clear-channel stations to 50,000 watts. It is the contention of the clear-channel group that the top limit on their power should be 500,000 watts.

The National Association of Broadcasters, now boasting 434 station members, a record number, is ready to take the stand for the industry as a whole on most of the issues at the hearing, but on the allocation issue, due to the varying attitudes of the members, the N.A.B. steps aside to let

its individual members to fight for the conditions, in fact, opposed by the smaller organized into Broadcasters' Association the regulations a per-

Goody

Supreme case in tires f

The United States has achieved a week by week in the government against the Co. happy. As predicted Supreme Court year-old case and ordered. Despite the fact that the Federal case has been decided, the case has been decided.

The Circuit Court of Appeals, in deciding the case, has decided that Goodyear's contract, which was made with the United States, is valid. The case was decided by the Supreme Court, which has decided that the contract is valid. The case was decided by the Supreme Court, which has decided that the contract is valid.

Anxious

FTC attorney has won a victory in a valuable special branch of law, protection of precedent, and a fuse to heat.

Goodyear's clean-cut nullify the contract for the injured party. It seems the Court will case, that undertake a revision of the law in which the company was a partner. The case was decided by the Supreme Court, which has decided that the contract is valid.

its individual factions fight it out before the commission. Clear-channel stations, in favor of superpower, will be opposed by regional and local stations. The smaller stations were already organized into the National Independent Broadcasters, Inc.; last week in Chicago the regionals made their National Association of Regional Broadcast Stations a permanent organization.

Goodyear Again

Supreme Court remands FTC case involving Sears, Roebuck tires for decision on merits.

THE United States Supreme Court achieved the almost impossible this week by making everyone concerned in the government's Clayton act case against the Goodyear Tire & Rubber Co. happy about the whole thing. As predicted (*BW*—Apr. 30 '38, p. 6), the Supreme Court remanded the five-year-old case to the Circuit Court and ordered it heard on its merits. Despite the prospect of more headaches, attorneys for both Goodyear and the Federal Trade Commission want the case heard, decided, and ended.

The Circuit Court in Cincinnati dodged hearing the case last year by deciding there was no controversy—that Goodyear had complied with an FTC order prohibiting further discrimination in its cost-plus contract to make Sears, Roebuck private brand tires. Goodyear had dropped its Sears contract, the court pointed out. Both sides, however, admit that the contract was not dropped in accordance with the FTC cease-and-desist order, but because passage of the Robinson-Patman act as an amendment to the Clayton law made it impossible to continue the contract.

Anxious for Definite Victory

FTC attorneys, thirsting for a clean victory in the case, which will become a valuable precedent in cost-plus and special branding actions under the R-P law, protest there is no statute or precedent for the Circuit Court to refuse to hear such a case on its merits.

Goodyear attorneys also hope for a clean-cut victory that will definitely nullify the possibility of private suits for the triple damages available to injured parties under the anti-trust acts.

It seems probable that the Supreme Court will not be able to dodge the case, that ultimately it will have to undertake a review of the whole Section 2 of the Clayton act and a possible revision of the precedents established in the American Can Co. case in which the can manufacturing company was ordered to pay LaDoga Canning Co. \$150,000 because of contracts which discriminated against it.

"3 KINDS OF DODGES SAVE US MONEY!"

...Says Chicago Business Man!

DODGE TRUCKS

for Heavy Hauling

DODGE COMMERCIAL CARS

for Salesmen

DODGE SEDANS

for Personal Use



Read why Rudolph Liska, Jr., Manager of Rudolph Liska & Sons, Chicago, depends 100% on Dodge passenger cars and Dodge commercial cars and trucks.

"As a rule I don't become enthusiastic without pretty good reason," says Mr. Liska. "But in this case the facts and figures show me that Dodge can't be beat for all-around economy. And I refer to all 3 kinds of Dodges. Dodge passenger cars, Dodge commercial cars and Dodge trucks."

"You see, we have a large Dodge truck on the go six days a week carrying capacity loads. Never in my experience has any low-priced truck come near matching a Dodge for low operation and upkeep costs. As a matter of fact, our truck records show that since we switched to Dodge we've cut our gas and oil costs almost one-third. And I know our maintenance savings alone will

run well into hundreds of dollars a year.

"Our sales force, too, is now 'all Dodge'. Our men prefer Dodge commercial cars because Dodge is easier and less tiring to drive. And that's all right with me, because our cost sheets show that Dodges are far more economical. I drive a Dodge sedan myself and have another for the family. While my two sedans regularly get around 19 miles to the gallon, our salesmen's cars are averaging 18 miles to the gallon. That's why I say that 3 kinds of Dodges are saving me money!"

See the big, new 1938 Dodge and the complete line of 1938 Dodge commercial cars and trucks! You can buy on budget terms to suit your needs.



NEW 1938 DODGE—the best-priced car in America ...costs far less than some cars that do not give you as much!... and priced so close to the low-priced cars that you'll hardly notice the difference.



NEW 1938 DODGE 1 1/2-TON STAKE—6-Cyl., "L"-Head Engine—(133" W. B. with 9' Body and 139" W. B. with 12' Body)—19 special "econ-o-mizers"—yet still priced with the lowest.

Switch to DODGE and Save Money!

See WOODSTOCK TYPEWRITERS



Fine food, comfortable smartly appointed rooms, friendly service. And yet over 50% of all rooms for \$3.50 or less single; \$5.00 or less double.

Hotel **Mayfair**
ST. LOUIS

Insuring Used Cars

British dealers are getting inspection and guarantee service from Lloyds.

LONDON (*Business Week Bureau*)—British dealers in second-hand automobiles are experimenting with an inspection and insurance scheme designed to boost the sales of cars. The plan is worked out by Lloyds, and has been in operation since last June.

It works simply. Lloyds maintain a group of independent consulting motor engineers. When a dealer in second-hand cars decides to use the new service, he notifies Lloyds, who send one of their engineers to inspect his cars.

Only cars in reasonably good condition will be approved, and mass-produced cars more than five years old will not be accepted for inspection. Cars whose makers have gone out of business, or for which spare parts are not obtainable in Britain, are also not acceptable.

The fee charged for inspection and issue of a certificate by Lloyds Inspection Services is \$3.75, payable in advance. If, however, the car is not passed one-half the fee is returned.

If the car is approved by these engineer inspectors, Lloyds will, for \$12.50, insure the purchaser of the car against:

1. The cost of repairing any mechanical or electrical breakdown or failure, excluding claims for less than \$12.50.

2. The cost of protecting and removing the insured car, when there is a breakdown, to the nearest competent repairers.

3. The reasonable cost in such event of conveying the occupants to the nearest railway station.

Coverage provided by this insurance is for six months.

Quebec Labor Law

Wage-and-hour ordinance for unorganized city workers takes effect at last.

MONTREAL—Quebec province's much deferred labor ordinance covering all unorganized workers in cities went into force this week. It establishes minimum wages and maximum hours for all workers not covered by collective bargaining agreements. Before being allowed to become operative, however, it was drastically amended at the last minute to allow the fair wage board large discretionary powers for suspension of its provisions in certain cases. Previously the provisions had to be tried for two months before suspension; now they can be suspended at once. This power of suspension applies especially to the provision that workers must be paid time-and-a-half for overtime, and to a wage-freezing provision that where a new employee replaces an old one the established rate of pay must be maintained.

Application of the law has been withheld since last December because of opposition of employers' and business men's organizations.

Social Credit Idea Spreads

OTTAWA—Social Credit in Canada fattens on defeat. During three years of office in Alberta, Premier William Aberhart's Social Credit provincial government has accomplished nothing. Its legislation has been pronounced illegal by the federal government, and ruled unconstitutional by the courts. The Social Credit movement is nevertheless spreading. The party has just announced that it will have candidates in every constituency in the neighboring province of Saskatchewan for the provincial election now impending. Aberhart will lead the campaign in Saskatchewan.

"TO IMPROVE YOUR LETTERHEADS AND BUSINESS FORMS, WRITE ON YOUR BUSINESS LETTERHEAD FOR THIS NEW EXHIBIT OF HAMILTON BOND, HAMILTON LEDGER, AND MIMEO-PEN BOND. IT'S FREE. IT WILL SAVE YOU MONEY."

W. C. HAMILTON & SONS, MIQUON, PA.

Business Abroad

Business is slack in Britain, more optimistic in France, worried by the crop outlook in Argentina, China and the Danube basin. Foreign exchange difficulties are growing again.

BUSINESS was slack in Great Britain this week, but elsewhere there were scattered signs of improvement in sentiment. The French outlook continues to be much more hopeful, and the franc is steady. The Belgian cabinet crisis appears to have been solved with the creation of a coalition government, but the currency is still weak. German exports are still lagging and threatening to cause trouble when foreign exchange for necessary raw materials imports gives out, but internally industries are still active.

Canadian business seems to have touched bottom, and there is considerable optimism over the crop outlook and the increased spending power of the prairie provinces. Argentine, on the other hand, expects greatly reduced crops of all grains. This already threatens to put the currency under pressure, since imports are still heavy. The poor corn crop outlook is responsible for the enormous shipments of United States corn which are moving through the Great Lakes now. It is expected that 55,000,000 bu. will move out through the St. Lawrence route in the next few months.

Though the drought in Britain and northern Europe has been broken, fruit crops will be below normal. Even in Rumania and Yugoslavia, the prune crop is expected to be very light. Exports of prunes from the Danube basin are likely to fall below last year's small volume.

In North China, observers declare there is bound to be a famine before the end of the summer because of the disorganization following military movements. Where actual fighting is under way, no crops have been sown, and in the guerrilla regions, Chinese soldiers are living off the land, leaving the local populations in a desperate condition. Chinese animosity in the loosely held regions north of the "front" is increasing. In spite of recent gains, Japanese difficulties will certainly multiply.

Rigid foreign exchange control in Turkey is an ill omen of what can be expected in several other countries soon because of the decline in price for their main export products, because of smaller demand for many raw materials, and because of the steady influx of certain materials and manufactured goods that are necessary for the expanding defense programs of the countries.

France

Franc is steady; loan capital plentiful. Relations between Paris and Rome only temporarily strained.

PARIS (Wireless)—Business is steady; the franc is under no pressure; the government's new defense loan was oversubscribed; day-to-day money is

plentiful and at low rates; the Daladier program continues to hold the confidence of the public, though decrees adjusting the 40-hour week and boosting national production must come along soon if this confidence is to be maintained.

The French are angered at the Mussolini speech, and the anticipated rapprochement between the two nations seems momentarily to be threatened. Actually, Paris doubts if either country will allow a breach in relations to develop. A better understanding is necessary to both for the sake of the bargaining position with Germany. Markets reacted adversely this week to the situation, but it is likely to be temporary. Some capital is continuing to flow back to Paris, though sound investments abroad are not likely to be abandoned by the wary

FOREIGN ANGLES

EXPECT more orders for military airplanes by France. First installment of 100 pursuit planes placed with Curtiss-Wright Corp., Buffalo, is likely to be supplemented by orders for at least another 400 planes. Prospects for British orders, on the other hand, are being modified by growing belief that United States plants cannot fill in the required time orders for the type of heavy bomber wanted, and because of the need for reconsideration of London's long-term air program following this week's important cabinet shifts. Canadian plants may be speeded up as auxiliary suppliers for the British air forces.

TRUTHFUL authorities on May 11 issued instructions to all banks to cease foreign exchange sales for imports. Restrictions first appeared Mar. 15 when foreign exchange for a specified list of imports was limited. The newest move probably means that Turkish foreign trade will for some time be on a clearing basis. Turkish exports have been dwindling recently, and prices are low. Imports, on the other hand, have been large, causing the serious foreign exchange shortage.

THE London *Financial Times* this week declares that British and American authorities are planning to call a world economic conference as soon as the Anglo-American trade agreement is signed, probably around Aug. 1. Van Zeeland, former Belgian premier, is believed now to be visiting all of the principal capitals of Europe laying plans for the meeting.

A DELEGATION representing industrialists and farmers in the 11 Western states will leave San Francisco in July to visit 20 Latin American countries. Organized in San Francisco last week as the Pan-American Trade Committee, the sponsoring body plans to stabilize Pan-American trade and monetary relations through a comprehensive research program coordinated in each country into plans for economic action by local trade committees. Headquarters will be at 333 Pine Street, San Francisco.

LUFTHANSA, German government commercial air line, has established a weekly air service connecting Rio de Janeiro, Brazil, and Lima, Peru. Flying distance: 2,812 miles. Flying time: two days (overnight stop at Corumbá). Junkers JU-52 planes are being used, carrying 13 to 17 passengers. They will connect with Germany's transatlantic service, which, so far, carries only mail.

EFFORTS of American machinery firms to make up for the business depression at home by increased exports to Japan, at the expense of German and British machinery exporters, have met with determined counter-action by Alfred Herbert, Ltd., of Great Britain. On the assumption that the principal advantage of the Americans under present conditions is quick delivery, Herbert's Tokyo office has sounded out the wishes of principal Japanese plants and sent the specifications to London to have them executed for immediate delivery at the time actual bids are invited.

until the Czechoslovakian situation is ironed out, and until France's own labor situation has improved.

Airplane orders placed in the United States this week will be supplemented by further orders this year. At the same time, it is believed here that domestic production will be speeded rather sharply in the next few months. Reorganization of the industry under government control is making considerable progress.

Germany

Rapid industrialization of Austria is pushed; Reich assumes firm control and complete supervision.

BERLIN (Cable)—Germans believe that the problem of the German minorities in Czechoslovakia is going to be solved very soon, and without any possibility of serious international complications. The Henlein visit to London is thought to have been inspired by both Prague and Berlin. Usually well informed sources declare the matter will be settled in the next two months, with virtual, if not actual, German control over the Sudeten region.

In Austria, meanwhile, the Reich is pushing its industrialization and reorganization program. At Linz, picturesque town on the Danube, foundations for the vast new Steel Works which will utilize Austrian ore and German coke were dedicated by Goering. And at Tauern, the huge new hydroelectric project was inaugurated with the admonition from Goering that the Austrians forget the old Austrian *Gemuetlichkeit* and live up to the Reich's working tempo.

One feature of the Reich's four-year plan for Austria is the determination for the present to give a greater direct part in the execution and operation of the program than is the case in the old Germany. This carries over to the Creditanstalt, Austria's biggest bank, which the Reich intends to control.

The **Levant Line**, Germany's shipping service to Levantine ports, has resumed dividend payments, indicating the improved financial condition of some of the country's thriving small freight services. Neither the Hamburg-American nor the North German Lloyd line is expected to declare a dividend in the near future, since any profits will necessarily be spent for urgent renovation of their fleets to meet modern new competition from the ships of various neighboring nations, newest of which is the *Nieuw Amsterdam*, of the Holland-American Line.

The **domestic scarcity** of coal, steel, paper, and some other products has been alleviated by the falling off of exports. This, however, is cold com-

Britain, Mexico Sever Relations Over Oil Dispute



This week, Great Britain and Mexico had come to the parting of the ways—economically and diplomatically—and the gentleman on the left said goodbye to the other two. The picture, made in more friendly times, shows British Minister Owen St. Clair O'Malley with President Lazaro Cardenas and the Mexican Secretary of Foreign Relations, General Eduardo Hay.

The severance of relations stems from

Britain's steadfast refusal to recognize Mexico's recent appropriation of foreign oil properties, whereas Washington has accepted the situation. British oil interests in Mexico were considerably larger than those of U.S. citizens, but the harsh British attitude is thought to arise largely from the desire to impress Latin America with the power politics that Great Britain will resolutely employ to protect her trade interest.

fort, since it is bound to affect long range supplies of indispensable foreign raw materials.

Great Britain

Business is slumping. Aviation program is being revamped. German auto imports increase.

LONDON (Cable)—More than the air defense program is likely to be speeded up as a result of the cabinet changes made in Britain this week, and others which may follow. London is preparing to take the lead in making offers to Germany for conciliation, but at the same time is determined to put force behind the negotiations. German plane production is reliably reported to be about 350 planes a month. Britain's output isn't more than 250. British manufacturers are blamed for demanding too much hand work on all planes, too exact a job on second string planes which other nations are turning out on a straight line, mass production basis.

Business is in the doldrums. The stock market has been inactive and prices weak. Industrial activity is dwindling slowly. Railway traffic is smaller than in April. Demand for steel is lower, in spite of the rearmament program. Exports in all lines are smaller, with textiles suffering especially. Current pessimism, which appears to be exaggerated, was epitomized in the fail-

ure of the \$50,000,000 London County Council loan offering. Best news of the week is the rumor from official quarters that the German minority question in Czechoslovakia will be settled without causing international complications.

Imports of German cars continue to worry the automobile industry. They increased last fall, and are gaining alarming proportions this spring in the eyes of the domestic industry.

Canada

Dominion will get British plane orders. Newsprint outlook is slightly improved.

OTTAWA—There are some signs that reaction may be feeling for the bottom in Canada. At any rate, the down trend in such significant barometers as carloadings and bank clearings has at least been interrupted in the latest week of record.

In carloadings, there was a gain for the last half of April over the first half approximately double the corresponding gain last year, although volume for the period was well below the 1937 volume. Bank clearings made the first favorable showing in months, last week's returns being only \$3,000,000 below the corresponding week of 1937. Department store sales for April were 20% above March, and 3% better than April, 1937, but the fact of

Easter being in April this year and in March last year would influence this index. Retail trade gained in some sections during the week while in others held ground.

The British aircraft mission's visit has stimulated interest still further in prospective British orders. The mission let it be known it would place no orders and make no arrangements itself but would merely report to the Air Ministry in London. The belief is growing, however, that important orders for Canadian aircraft manufacturers will result from the coming of the mission.

In its report, it is expected to favor Canada over the United States as a source of supply, mainly because the idea of emergency orders has been abandoned and because in long-term contracts certain factors would be on Canada's side. Among these factors would be the absence of any interference through operation of neutrality laws, possibility of greater British control, and possibility of a merger of

To Rush Britain's Air Force



Wide World

This week, as the British cabinet underwent its first reshuffling since the exodus of Anthony Eden, the most important change was the one that sent Sir Kingsley Wood (above) from the post of Minister of Health to that of Air Minister.

Britain's aim is 3,500 first-line fighting planes by 1940. For two weeks, debate has raged in the House of Commons over the slowness of the program to achieve that goal. One source of complaint has been that the former Air Minister, Lord Swinton, did not sit in the Commons and was unable to answer the Opposition in person.

Sir Kingsley Wood is felt capable of holding up his end in the Commons, and is known as an able organizer.

Bond this Employee's
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Career!

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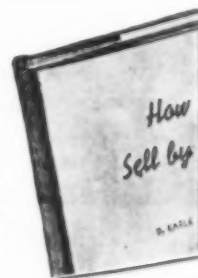
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Money and the Markets

When Stock Exchange does a business of only 400,000 shares a day, nothing need be said about the apathy of the markets. New crowd takes over the exchange management and makes a good start.

Is a vernacular common in the prize fight business, those interested in the financial markets this week might just about as well have "stood in bed." Trading on the New York Stock Exchange, for example, totaled only 400,000 shares on Monday, 410,000 on Tuesday, and 400,000 on Wednesday. Considering that it takes close to 1,500,000 shares a day for brokers to break even, these figures tell their own story all too graphically.

Under the circumstances, the rapid strides taken by the new chairman and board of governors to reorganize stock exchange procedure was the chief topic of interest. As often predicted in these columns, this new broom sweeps clean—and without waste of time.

First off, Charles B. Harding was elected vice-chairman of the board of governors. That's particularly significant because he's a partner in the firm which John W. Hanes left to join the SEC; Mr. Harding will back his own (and Mr. Hanes') liberal views.

Another important step was the admission of reporters and photographers to the meeting at which the new board was formally inducted. They are allowed to remain until William McC. Martin, Jr., finished his inaugural. That may sound trivial, but it was external evidence that the market has acknowl-

edged its public character—that the members are behind the SEC in the move to "break up the club."

Those committees to be named by the new chairman have been appointed, and they are sprinkled with avowed liberals—Paul Shields, Mr. Harding, Philip Russell, Sidney Weinberg, R. Lawrence Oakley are conspicuous. Robert P. Boylan, ex-president of the Chicago Board of Trade and a relative newcomer on the Big Board, has been appointed to a couple of key committees; in the old days talent had to be seasoned for years.

Tax Hurts Trusts

Gifts to them can't be exempted. Banks and trust companies regret change.

THERE's a change in the new tax law which won't do banks and trust companies much good. It's only a minor change, and its purpose was acceptable enough to most tax experts. It's Congress' way of going about it that's kicked up a fuss. The lawmakers went after a minnow with a harpoon.

Congress wanted to prevent taxpayers from setting up a series of trusts to avoid gift taxes on a wide

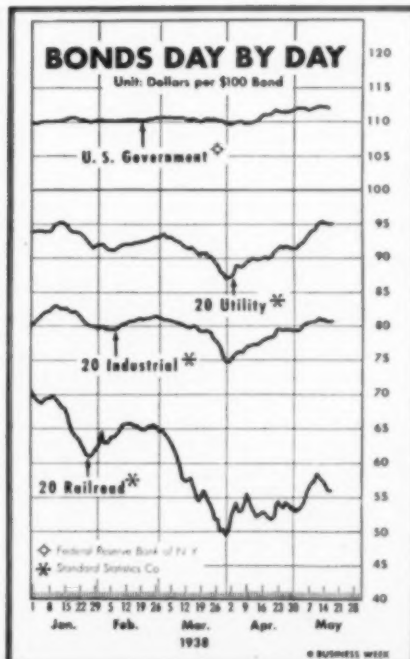
scale. So, first, Congress lowered the exemption on gifts from \$5,000 to \$4,000. On that point, there was only a small amount of grumbling. But then, the House and Senate conferees decided that any gift to a trust would be ineligible for the \$4,000 exemption.

In other words, in order to prevent a taxpayer from getting multiple exemptions, say by setting up five trusts for \$4,000 each for a single beneficiary, the legislators decided to wipe out all exemptions on gifts to trusts. Tax men point out that the law could have been phrased to accomplish the object simply—by saying that only one \$4,000 exemption for a gift to any individual could be claimed.

The effect of it all will be to limit the use of trusts—either regular trusts or life insurance trusts—as a means of bestowing gifts. Fortunately, it doesn't take effect until Jan. 1, 1939, so that there's a chance it may be straightened out by rephrasing when Congressmen get together next year. But new trust business of banks and new business written by life insurance agents in the form of life insurance trusts may be hurt in the meantime.

Under the Seat—Technically speaking, banks are sitting pretty. They are fortresses of liquidity, if you can stomach that figure of speech. More than 50% of their assets are in cash and government securities. More than 60% of their deposits (demand and time) are covered by cash and government securities. In short, banks no longer have to worry particularly about runs, or about being frozen.

But if you look under the seat, the banks are not sitting so pretty. Liquid-





APRIL statistics on zinc threw light on earlier figures. Specifically, there was a good gain in deliveries (apparent consumption) during March, but metal trade authorities warned that it wasn't real—that higher freight rates had prompted shipments in excess of immediate demand (*BW*—April 16, p60). Thus the drop of April deliveries to a new low at 20,806 tons (from 33,528 in

March) indicates just how much of the March rise was at the expense of April. Meanwhile, available supplies of zinc have approached the depression peak, since production hasn't fallen anywhere nearly as fast as consumption. Under the circumstances, producers of the metal don't expect to be able to get prices up much from the present 4¢ a lb. low until consuming industries pick up.

"must represent cushions sufficiently large to absorb fluctuations in value which are likely to occur during the normal run of the business cycle."

Mr. Crowley conceded that the FDIC might be able to make allowances for the quality of assets in determining whether an institution has adequate capital, but at the same time

ity is only one touchstone of strength. There is another of equal importance—the ratio of deposits to capital. During the early days of recovery, when the bank holidays of February and March, 1933, were fresh in memory, determined efforts were made to reupholster the capital positions of banking institutions. The Reconstruction Finance Corp. subscribed heavily to debentures and preferred stock.

But now the fear of runs has abated. And depositors are no longer running away from banks, but are running to them. Result: deposits are close to the highest level in history. More, deposits are probably on their way up again, as a likely result of federal spend-and-lend program. Consequently the ratio of deposits to capital is likely to increase. And it has the Federal Deposit Insurance Corp. thinking.

Here Today, There Tomorrow—The FDIC wants the banks to keep a cushion on the seat so as to be able to continue to sit pretty. In an address before the New Jersey Bankers Association last week, FDIC Chairman Crowley stressed the point that banks must at all times be in a position to pay off depositors. To do that, he declared, the capital accounts of banks

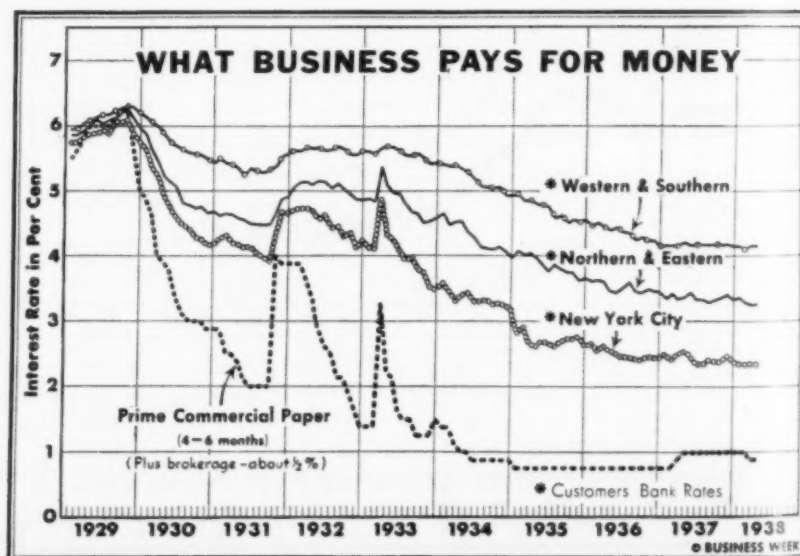
he observed that "quality" is subject to change. A bank examiner may find a bank full of governments on one day, and full of second-grade rails on another. The makeup of assets changes rapidly, and therefore quality of assets must be regarded as a complement of adequate capital, rather than a substitute for it.

There was a time when a bank was considered to be strong if deposits amounted to \$5 or \$6 for every \$1 of combined capital, surplus, and undivided profits. Indeed, if its ratio was 10-to-1 (that is, \$10 of deposits for every \$1 of capital funds), that was not necessarily too thin, particularly if the bank was highly liquid.

No definite ideal ratio has been established. But right now, as a whole, banks throughout the country are running pretty close to the line. The cushions, in other words, are not any too bouncy. At the end of the year, the over-all ratio for the country was 7.37-to-1—that is, \$1 of capital to every \$7.37 of deposits.

Adding to the Cushion—Back in 1928 and 1929, when the public was bank-stock-minded, financial institutions had no trouble raising money. That was the era of bank mergers, and new capital came easy. But these days, bank stocks are selling at low levels, earnings are anything but large, and it isn't easy for financial institutions to go into the open market for new capital to add to their capital cushions and lower the ratio of deposits to capital.

Most banks are doing fairly well—in these days of low interest rates—to earn from 4% to 5% on their capital accounts. And that rate of earnings is hardly sufficient to stimulate a demand by investors for bank stocks. High-grade tax exempt bonds will yield just about as much as the



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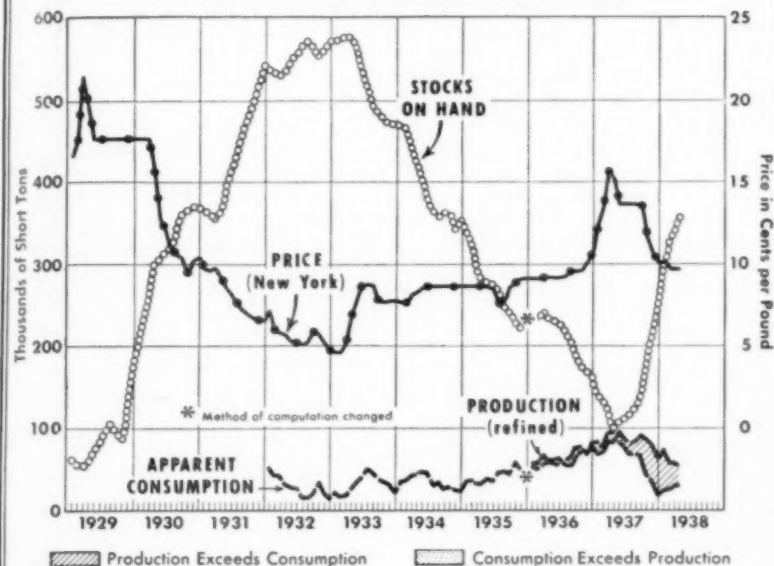
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COPPER STOCKS RISE FURTHER

U. S. Production Continues Far Ahead of Consumption



Data: Copper Institute, American Bureau of Metal Statistics,
U. S. Department of Commerce, Engineering and Mining Journal

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DOMESTIC copper statistics for April made poor reading. Apparent consumption at 31,684 tons was below expectations. Authentic reports indicate, however, that fabricators are chewing up inventory of raw materials at a rate which brought actual consumption up to about 40,000 tons. Yet this is far below the month's refined copper output of 55,749 tons (March output was 61,117).

average share of bank stock on its stated capital. For insured banks (not members of the Federal Reserve System), dividends paid in 1937 amounted to only 2.3% on total capital.

Thus, the banks are in this fix. Their deposits are likely to increase, which means they sooner or later will need to increase their capital if the FDIC sticks to its guns. But in order to increase capital, banks will have to increase their earnings. And right now the outlet for idle bank assets is largely government obligations, on which the return is so measly as to make it hardly worth while for banks to increase their capital, and it scarcely makes investors anxious to buy bank stocks.

So then, here's the seat the banks are sitting on. They're almost as liquid as Adelina Patti's voice, but at the same time the FDIC wants them to augment that liquidity in order to cushion their capital structures.

Double Liability—One negative inducement to purchase bank stocks is the elimination of double liability. The Banking Act of 1935 relieved shareholders in national banks from an assessment equal to the par value of bank stock owned, if a bank failed.

Had it not been for the fact that exports accounted for approximately 11,000 tons—about the same as in March—the situation would have been sour indeed. Moreover, if foreign customers don't continue to buy copper here, market exports fear that the 10¢ a lb. price can't hold. Even the fact that U.S. production in May will probably show another substantial cut doesn't offset the fears.

Many states followed with similar relief. But some state constitutions specifically require double liability, and to help equalize the position of all shareholders, Congress has passed a law under which the Federal Deposit Insurance Corp. assumes most of the contingent liability for shareholders in FDIC-insured banks. The FDIC assumes liability for the proportion of deposits that are insured.

Double liability can hurt, as this week's news brings out. The Reconstruction Finance Corp. reports that the old "Dawes Bank"—Central Republic of Chicago—still owes \$44,000,000 on its \$90,000,000 loan. But if Dawes Brothers, Inc., the Dawes family investment company, had not paid its assessment after the bank closed, the debt would be 45 million instead of 44.

Cottonseed Oil and Lard—Consumption of cottonseed oil in April was 231,975 bbl. (400 lb. to the bbl.), a sharp drop from the March figure of 359,577. The trade had expected a decline, but hardly as sharp a one as that.

The explanation clearly lies in price. Cottonseed oil, which normally sells fairly well below lard, has pushed up until its value is very nearly the same

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as that of its rival (BW—Apr 23 '38, p. 54; Mar 19 '38, p. 54). Although some observers argue that vegetable oils have improved their competitive position in relation to lard, such a price situation usually is counted upon to change consumption trends. That, apparently, is just what happened in April, and it is expected that the trend will again be revealed by the May statistics.

While April consumption of cottonseed oil was down sharply from earlier months of the present crop year, it remained well above the comparable figure for the preceding year. Statistics on consumption, as represented by deliveries, compare as follows (figures in 400 lb. barrels):

	1937-8	1936-7
August	316,781	253,426
September	394,499	261,922
October	484,633	242,088
November	435,386	264,192
December	338,329	351,616
January	369,149	306,558
February	428,531	176,636
March	339,577	219,300
April	231,975	207,405

Nine months... 3,378,860 2,283,143

It will be seen from the above statistics that the present crop year is maintaining its wide gain over the previous year. In fact, it is certain to smash all previous records for cottonseed oil consumption.

Something about Lard—The big meat packers, principal marketers of lard, have been bothered about the promotion which has been boosting consumption of vegetable oils. Some claims, the packers hold, are unfair.

Worries were keenest just about a year ago when cold storage stocks of lard were of near-record proportions. The packers did a little promoting on their own hook. Moreover, pig slaughter fell off following the large marketings due to the 1936 drought. The result has been statistical improvement in the position of lard. This is shown by the failure of cold storage stocks to rise especially sharply during the spring hog slaughtering period. The following comparison of end-of-month stocks (figures in thousands of pounds, 000 omitted) portrays the situation:

	1938	1937	1936
Jan.	99,318	182,790	75,669
Feb.	116,979	202,476	78,725
Mar.	121,316	217,227	76,814
Apr.	121,702	209,444	83,615
May	194,477	99,656	
Jun.	185,124	106,774	
Jul.	156,959	117,026	
Aug.	118,094	110,561	
Sep.	72,614	101,796	
Oct.	39,477	94,746	
Nov.	33,966	108,765	
Dec.	33,693	145,809	

Considering the record consumption of cottonseed oil and the business recession, the lard people are fairly happy that their cold storage stocks haven't gone up faster.

Business Week

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Editor

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Editorially Speaking—

Dr. OTTO STRUVE, director of the Yerkes Observatory, says a star known as wolf 424 "probably is either the nearest or the second nearest star" to the earth. By comparing its light with the intrinsically faintest star known, wolf 359, Dr. Struve estimates how near wolf 424 is. He thinks it's about 3.7 light years farther from us than Alpha Centauri, the nearest star known. Light, if we remember rightly, loafs along through space at the rate of 186,000 miles a second. Multiply 186,000 by 60 by 24 by 365 by 3.7, and you've got the distance in miles of wolf 424 from Alpha Centauri. Clearly this wolf isn't right at our door.

"We were happy to have your help, in your issue of April 30, in our HAIL TO THE POSTMAN," writes Justus Schlichting, president of Commerce Clearing House, Inc. "Needless to say you are not wrong. Right as usual, and acute (not unusual). But it remains that we are truly grateful to the rank and file of the Post Office Department—we don't know what we'd do without them. They do a good job; therefore no little pleasure on our part in being able to put before them, daily, our expression of appreciation."

A MEMBER of the British Parliament asserts that the quota restrictions on importation of cotton piece goods into the Malay States are being circumvented by Japanese traders, who send in "cotton shirts with tails several yards long, to that although the shirts are designed as one garment, the tails can be cut off and used as piece goods." Can this be the old-fashioned nightshirt coming back, with a greater scope and sweep than ever?

ON an unseasonably hot day we sat looking at the program of the annual meeting of the National Academy of Sciences, and wishing we had time to go to Washington and listen to Dr. Eugene F. DuBois, of the Russell Sage Institute of Pathology (New York Hospital, New York City), and James D. Hardy, of the Russell Sage Institute of Pathology (Cornell University Medical College, New York City), talk on the "Relationship of humidity to evaporation of sweat (illustrated), 10 minutes." If we'd been there, Drs. DuBois and Hardy wouldn't have needed any other illustration.

STATION WHN sends out a publicity release, headed "Quips from the WHN Amateurs." Here's one item: "I am just what you are looking for. . . . I was born a dancer and a singer. . . . I sing Spanish songs like nothing you ever heard before. . . . And I have a

guitar and the man that plays it." So this is a quip! The late Bert Leston Taylor, who was the wittiest columnist of his day, had as a motto, "Hew to the line, let the quips fall where they may." Nowadays, it seems, they fall in radio stations; and where do you think they fall from? The bright lips of amateurs.

HORROR has spread through the House of Lords at the discovery that the Lord Chancellor's woolsack isn't stuffed with wool, as everybody had supposed, but with horsehair. Still, it could be stuffed with something worse.

WHEN Col. Tim McCoy's Wild West Show was put in receivership, it included 30 bucking bronchos, which the receiver was unable to sell. So the other day the United States District Court in Washington, D. C., called for bids on them. At the present writing it seems that there aren't going to be many bidders. The offer is of the sort that would ordinarily appeal to us; but, as it happens, we did our part a few months ago in a similar cause. At that time the Biological Survey offered a buffalo bull to anybody who would pay \$60 and shipping expenses, and we promptly forwarded our \$60 and got our buffalo, which is now on duty in the reception room as office mascot. So you see our difficulty. We couldn't very well put a bucking broncho in the reception room too, could we? Not unless the court guaranteed he wouldn't kick the daylight out of our buffalo, which we have grown to love.

SPEAKING of that buffalo, we take the opportunity to answer a couple of communications on the subject. "What do you do with the waste products?" asks Paul Heftler. Do? We're not the kind of man who does things. Thinking, that's our line. We may have many thoughts on the subject that Mr. Heftler mentions, but so far we haven't done anything about it.

Then there's this, from A. N. Meyer, of Denver: "You say—'We'll bet we would, if we had one.' If you had an animal or if you had a photograph?"

Go back to that sentence again, Mr. Meyer. It was an answer to a challenge from Geoffrey Willoughby: "I'll bet you would not publish an authentic photograph of the animal in your office!" That's what he said. So we said what we said. And of course what we meant is plain enough—we hope.

We thought the country had somewhat recovered from its alphabetomaniacal fever, but that was before we spotted this headline: "S.E.C. Suspends Rule GB4 After I.B.C. Parley."

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A NEW YARDSTICK FOR YOUR MARKETS

FOR executives who gear production and distribution facilities to the market, Business Week's report on "The American Way of Living" is of vital interest. The first comprehensive results of the consumer survey conducted by the U. S. Departments of Labor and Agriculture were summarized in four basic charts in the April 9th issue of Business Week, with the actual figures specially arranged in 11 tables giving complete details on:

Annual Incomes of Native-Born Families in 32 cities, 19 small cities, 140 villages and of farm families in 64 counties.

How Income in 32 cities varies with occupation; how farm families in 64 counties obtain their income.

How Home Ownership and Rentals vary in 32 cities, 19 small cities and 140 villages.

How Farm Ownership and Value of Property vary with income.

These 11 tables, a map showing the location of the communities studied, and a reprint of the Business Week story, have been packaged in a pocketed folder, available to readers of Business Week for \$1.00 each. Send check with request for a copy of Business Week Plus-Data on "The American Way of Living" to Glenn Griswold, Publisher, Business Week, 330 West 42nd St., New York, N. Y.

BUSINESS WEEK

The Journal of Business News and Interpretation

MAY 21, 1938

Utilities and the New Deal

Lately the utilities and the government have been trying to reach a practical bargaining basis. It would be absurd to suppose that the lion had lain down with the lamb, or that the government's utility program has become or can be made wholly acceptable to the utilities. But it is true that the utilities have become pretty well reconciled to the inevitable, and are trying to make the best of it.

Those holding companies that have properties in the Tennessee Valley are negotiating to sell them to the Tennessee Valley Authority, provided TVA builds a fence around its operations. But how could TVA make a legally binding promise to do so? Has not TVA been negotiating with some communities outside its present boundaries, such as Paducah, Ky.; and can TVA give any really convincing assurance that it will not open its arms and its facilities to these communities at any moment?

Nevertheless the utilities are ready to bargain. Fourteen leading utility systems have named a committee, at the pointed suggestion of a Securities and Exchange Commission member, to cooperate with SEC in its administration of the "death sentence." Though they have not abandoned their legal fight against the "death sentence," their hope of success in the courts has been dimmed. The Supreme Court has taken the general position that the utilities should wait till they are hurt; that is, they should submit to the New Deal's restrictions until an injury is actual, or at least is much more imminent and inescapable than at present. Hence the utilities aren't even talking about test cases. It is possible, though, that a suit brought by some security holder will have a better chance of success.

Meanwhile many friendly and constructive gestures are being made by the Administration. But the article by Chairman Douglas of the SEC in *Electrical World*, though not punitive in tone, still insists on dismantling the holding companies. There is no indication that the Administration will give way on this point, notwithstanding all the friendly assurances from Mr. Hanes and Chairman Eccles.

Even during the negotiations with the utilities, disturbances crop up. The government, while waving the olive branch, repeatedly kicks the utilities' shins under the table. One example is

the Congressional action to increase the appropriations of the Rural Electrification Administration. New Deal officials also incline toward the resumption of Public Works Administration loans to municipalities. Although Mr. Ickes denies that he has been "soliciting" the municipalities, he recently wrote letters telling those which had applied earlier—when funds were lacking—that the money would soon be available. Of course this isn't solicitation; it's just prodding them in the ribs.

In acting to intensify its competition with the private companies, the government leaves little room for hope that it will make an effective agreement to restrict its competition to the present "yardstick" activities. Still the utilities are doing their best to bargain with the TVA for the disposal of their properties, and to negotiate with the SEC concerning the reconstruction of utility systems and the rehabilitation of utility financing. The companies have shown that they are willing to cooperate; but they hope they won't have to cooperate themselves into suicide.

Cost-Plus Laws For Retailers

It is the most natural thing in the world for retailers to try to protect their prices by cost-plus laws and similar measures. This protection, whether firm or not, has much the same attraction for them that minimum-wage laws have for many workmen. The question at issue is not one of right or wrong, it is one of practicality. Will the cost-plus laws work? That is what really matters.

Recently the Minnesota Supreme Court held the state's cost-plus law unconstitutional. This was the most severe of all such laws, as it required the dealer to add 10% to the purchase price of his goods. But even a lower percentage would be questionable, not because any dealers operate on a lower

markup than 10%—they do not, and in practically all cases the figure is much higher—but because any percentage rule is hard to enforce.

The other day the New Jersey legislature passed a bill forbidding retail dealers to sell gasoline without including the cost of handling. What is the cost of handling? In gasoline, or in eggs or pianos, it differs from one dealer to another. That is why all cost-plus laws run into difficulties. The simplest remedy would be to forbid sales at less than the purchase price. Anybody who sold as low as that would still be selling at a loss, but at least the loss would be limited; there would be a floor under it.

British-Mexican Diplomatic Break

Britain's sharp note to Mexico because of the confiscation of British oil properties by the Mexican government has been answered by the recall of the Mexican minister to Britain, which has retorted in kind by recalling its minister to Mexico. Obviously the Mexican action is an attempt to brazen out the seizure of the property of Britons, Americans, and other foreign nationals. Having no reasonable excuse to offer for its action, the Mexican government endeavors to ease its embarrassment by simply cutting off the debate.

But the matter at issue is not one of words, and Mexico's embarrassment will not cease if it no longer receives sharp notes from Britain. For this embarrassment is economic. If Mexico operates the oil properties itself, can it do so efficiently? Can it find markets? Can it run the properties except at a loss?

It has been suggested that Mexico might export oil from non-expropriated properties, and that American consuls would certify this oil as such, thus getting it past the retaliatory embargoes which certain countries might impose. But American officials deny that they will assist this scheme. The United States will not act as a fence. Even if all the honest oil were shipped out of Mexico, that would only mean that the Mexicans were burning the stolen oil themselves; and this would be no different from shipping the stolen oil and burning the rest.

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